

NATCHITOCHEs REGIONAL MEDICAL CENTER

CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED  
JUNE 30, 2014, 2013 AND 2012



**LESTER, MILLER & WELLS**  
*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*

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Natchitoches Parish Hospital Service District  
Natchitoches Parish, Natchitoches, Louisiana

**Management's Discussion and Analysis**

Our discussion and analysis of Natchitoches Parish Hospital Service District's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Hospital's financial statements, which begin on page 4.

**Financial Highlights**

- The Hospital's total assets decreased by approximately \$764,000 or roughly 1.0%. The Hospital's total liabilities decreased by approximately \$1,088,000, or roughly 7.1% attributable to the pay down of our long-term debt.
- During the year, the Hospital's net patient service revenue rose 7.5% due to an increase in expanded services. Expenses increased by approximately \$4,574,000, or 10.4%. The Hospital had income from operations of \$537,176, which is approximately 1.1% of total operating revenue.
- The voters renewed a 10-year Ambulance property tax in 2013, and the hospital received \$1,655,746 in taxes for this year. These taxes have been able to provide funds for modernization of Ambulance equipment and expansion of service to rural areas of the Parish that do not have the optimum of services.

**Using This Annual Report**

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

**The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position**

Our analysis of the Hospital finances begins on page iv. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

**The Statement of Cash Flows**

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Natchitoches Parish Hospital Service District  
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

**The Hospital's Net Position**

The Hospital's net position is the difference between its assets and liabilities reported in the statement of net position on page 4. The Hospital's net position increased in each of the past three years, by \$323,240 (0.6 percent) in 2014, \$1,538,132 (2.7 percent) in 2013, and \$2,689,158 (5.0 percent) in 2012, as you can see from Table 1.

**Table 1: Assets, Liabilities and Net Position**

	June 30			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Current Assets	\$ 17,609,032	\$ 23,123,321	\$ 18,071,605	\$ 16,149,218
Land & Depreciable Assets – Net	36,783,047	38,831,941	38,326,767	39,564,326
Other Assets, Including Board - Designated Investments	<u>18,520,698</u>	<u>11,721,889</u>	<u>16,546,661</u>	<u>16,296,112</u>
Total Assets	<u>\$ 72,912,777</u>	<u>\$ 73,677,151</u>	<u>\$ 72,945,033</u>	<u>\$ 72,009,656</u>
Current Liabilities	\$ 4,553,375	\$ 4,585,989	\$ 4,397,003	\$ 5,210,784
Long-term Debt/Liabilities	<u>9,760,000</u>	<u>10,815,000</u>	<u>11,810,000</u>	<u>12,750,000</u>
Total Liabilities	<u>14,313,375</u>	<u>15,400,989</u>	<u>16,207,003</u>	<u>17,960,784</u>
Noncontrolling Interest in Subsidiary	654,428	645,702	846,151	726,225
Controlling Net Position	<u>57,944,974</u>	<u>57,630,460</u>	<u>55,891,879</u>	<u>53,322,647</u>
Total Liabilities and Net Position	<u>\$ 72,912,777</u>	<u>\$ 73,677,151</u>	<u>\$ 72,945,033</u>	<u>\$ 72,009,656</u>

Natchitoches Parish Hospital Service District  
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

**Operating Results and Changes in the Hospital's Net Position**

The following table presents a summary of the Hospital's historical revenues and expenses for the fiscal years ended June 30, 2014, 2013, 2012 and 2011.

**Table 2: Operating Results and Changes in Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenue:				
Net Patient Service Revenue	\$ 41,403,531	\$ 38,501,108	\$ 41,332,993	\$ 42,571,498
Other Revenue	<u>7,695,892</u>	<u>7,796,945</u>	<u>6,123,555</u>	<u>4,442,396</u>
Net Revenue	<u>49,099,423</u>	<u>46,298,053</u>	<u>47,456,548</u>	<u>47,013,894</u>
Expenses:				
Salaries & Benefits	23,288,836	21,359,236	20,282,268	21,016,431
Medical Supplies	3,892,227	3,616,605	3,887,724	3,853,951
Purchased Services	4,513,118	3,921,090	3,787,265	4,691,263
Other Operating Expense	12,342,930	11,457,185	12,857,482	10,610,123
Depreciation & Amortization	<u>4,525,136</u>	<u>3,634,499</u>	<u>3,555,982</u>	<u>3,762,327</u>
Total Operating Expense	<u>48,562,247</u>	<u>43,988,615</u>	<u>44,370,721</u>	<u>43,934,095</u>
Net Operating Income	<u>537,176</u>	<u>2,309,438</u>	<u>3,085,827</u>	<u>3,079,799</u>
Investment Income	114,458	71,535	135,112	122,851
Interest Expense	(476,999)	(517,832)	(549,913)	(607,891)
Non Operating Income	90,876	35,321	31,058	162,854
Net Contributions	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,550,000</u>
Excess of Revenues over Expense	265,511	1,898,462	2,702,084	7,307,613
Unrealized Holding Gains (Losses)	180,479	(110,430)	71,184	(42,793)
Consolidated Net Income - Non Controlling Interest	<u>(131,476)</u>	<u>(49,451)</u>	<u>(204,036)</u>	<u>(225,095)</u>
Comprehensive Income (Loss)	314,514	1,738,581	2,569,232	7,039,725
Net Position – Beginning of Year	57,630,460	55,891,879	53,322,647	46,612,420
Foundation Merger	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(329,498)</u>
Net Position – End of Year	<u>\$ 57,944,974</u>	<u>\$ 57,630,460</u>	<u>\$ 55,891,879</u>	<u>\$ 53,322,647</u>

Natchitoches Parish Hospital Service District  
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

**Operating Income**

The first component of the overall change in the Hospital's net position is its operating income (loss) – generally, the difference between net patient service revenue and other revenue, and the expenses incurred to perform those services. In each of the past four years, the Hospital has reported an operating income. This is consistent with the Hospital's operating history. In 2014 and 2013, there was a decrease of \$1,772,262 (77%) and 776,389 (25%) in operating income, respectively. Operating income increased by \$6,028 in 2012 (0.2%) and \$503,080 (19.5%) in 2011.

The primary component of the current year decreasing operating income is an increase in expenses greater than the increase in revenues, mostly in depreciation, salaries and benefits, and other expense service fees.

Total salary and benefits expenses increased in 2014 by \$1,929,600, or 9.0%, \$1,076,968, or 5.3% in 2013, and decreased \$734,163 or 3.5% in 2012, from \$21,016,431 in 2011. This year's increase is due to new/expanded departments. As a percentage of net patient service revenue, salary and benefit expenses were approximately 56.2%, 55.5%, 49.1%, and 49.4% for the fiscal years ended June 2014, 2013, 2012 and 2011, respectively.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs is expenses for medical and professional services. In 2014, medical and professional services cost totaled \$4.5 million (9.3% of total expenses) and an increase of 15% over 2013 costs of \$3.9 million. In 2012, they totaled \$3.8 million (8.5% of total expenses). The major increase was attributable to emergency room physician services.

**Sources of Revenue**

During fiscal year 2014, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes ambulance property tax, cafeteria sales, contract meals, rental income and other miscellaneous services.

Natchitoches Parish Hospital Service District  
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

**Sources of Revenue (continued)**

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2014, 2013, 2012 and 2011.

**Table 3: Payor Mix by Percentage**

	Year-end June 30			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Medicare	38.5%	42.8%	42.4%	42.4%
Medicaid	23.5%	21.6%	20.3%	20.3%
Commercial Insurance	14.1%	13.9%	14.8%	17.8%
Blue Cross	14.6%	12.6%	12.6%	12.3%
Self-Pay and Other	<u>9.3%</u>	<u>9.1%</u>	<u>9.9%</u>	<u>7.2%</u>
Total Patient Revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Other Revenue**

Other revenue includes Ambulance property tax, cafeteria sales, rental income, and other miscellaneous services. Other revenue decreased by \$101,053 or 1.3% for 2014.

**Table 4: Other Revenue**

	Year-end June 30			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Other Revenue:				
Rental Income	\$ 1,384,731	\$ 1,441,947	\$ 1,519,557	\$ 1,462,964
Medical Records Revenue	2,149	4,744	3,919	974
Dietary Sale	237,387	232,445	230,618	223,733
Vending Revenue	30,480	33,152	34,215	35,204
Ambulance Tax and Subsidy	1,655,746	1,603,705	1,268,693	1,203,122
Grants	3,500,116	2,992,502	1,676,879	1,182,157
Gain on Sale of Equipment	2,000	7,000	27,667	75
340B Pharmaceutical Program	783,511	1,359,811	1,160,920	142,181
Other	<u>99,772</u>	<u>121,639</u>	<u>201,087</u>	<u>191,986</u>
Total Other Revenue	<u>\$ 7,695,892</u>	<u>\$ 7,796,945</u>	<u>\$ 6,123,555</u>	<u>\$ 4,442,396</u>

Natchitoches Parish Hospital Service District  
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of contributions. The Hospital recognized a contribution of \$4,550,000 in the form of a building and land in fiscal year 2011.

**Operating and Financial Performance**

The following summarizes the Hospital's statements of revenues, expenses, and changes in net position between 2014, 2013, 2012 and 2011.

Overall, activity at the Hospital, as measured by admissions of adults, pediatrics, and geriatric psych patients, has decreased for each year reported. Inpatient admissions increased by 5.1% in 2014 to 2,768 from 2,633 in 2013. Inpatient admissions were 2,863 in 2012 and 3,151 in 2011. Patient days increased 3.5% in 2014 to 12,941 from 12,503 in 2013. Previous years had patient days of 12,968 in 2012 and 14,410 in 2011. As a result, the average length of stay for acute care patients (excluding newborns) decreased to 3.83 days in 2014 and increased to 4.01 days from 3.64, and 3.75 days in 2013, 2012, and 2011, respectively.

Outpatient registrations decreased by 0.5% in 2014 to 50,476 from 50,748 in 2013. Previous years had outpatient registrations of 48,443 in 2012 and 43,429 in 2011.

Our Long Term Care Units activity increased by 0.2% in 2014 to 37,178 from 37,091 in 2013 (an average of 1/4 patient per day), 37,192 in 2012, and 37,879 days in 2011, which represents 91% occupancy on the unit. With our acquisition of a 30 bed assisted living center in July of 2007, administration and the board has replaced our 50 year old Long Term Care Unit. Construction finished in September of 2009 at an estimated cost of \$8 million.

The Hospital operates the district ambulance service that traditionally has had operating losses. The ambulance operation was supported by a 5.53 mil property tax approved by the residents of Natchitoches Parish. The amount of tax revenue received during 2014 was \$1,655,746, and increase from \$1,603,705 in 2013. That property tax was renewed in 2013 at 5.31 mil for 10 years.



Natchitoches Parish Hospital Service District  
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

**Operating and Financial Performance (continued)**

**Table 5: Patient and Hospital Statistical Data**

	Year-end June 30			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Admissions:				
Adult and Pediatric	2,535	2,436	2,634	2,915
Newborn	600	625	532	555
Long Term Care Unit	294	259	316	197
Geriatric Psych Unit	233	197	229	236
Patient Days:				
Adult and Pediatric	9,716	9,766	9,582	10,922
Medicare (Included in Adult & Pediatric)	4,806	4,719	4,715	5,665
Medicaid (Included in Adult & Pediatric)	2,180	1,643	2,343	2,469
Newborn	1,249	1,325	1,150	1,249
Long Term Care Unit	37,178	37,091	37,192	37,879
Geriatric Psych Unit	3,225	2,737	3,386	3,488
Operating Room Patients	1,680	1,572	1,570	1,693
Outpatient Registrations	50,476	50,748	48,443	43,429
Emergency Room Visits	19,659	18,898	19,808	17,570
Ambulance Runs	3,951	4,257	4,081	4,256
Average Daily Census (Excluding Newborn):				
Adult and Pediatric	26.62	26.76	26.25	29.92
Long Term Care Unit	101.86	101.62	101.90	103.78
Geriatric Psych Unit	8.84	7.50	9.28	9.56
Average Length of Stay (Excluding Newborn):				
All Acute Care Patients	3.83	4.01	3.64	3.75
Medicare Patients	4.99	4.90	4.15	4.61
Medicaid Patients	2.00	1.23	1.72	1.60
Long Term Care Unit Patients	126.46	143.21	117.70	192.28
Geriatric Psych Unit Patients	13.84	13.89	14.79	14.78
Percentage of Acute-Care Patient Days:				
Medicare	49.46%	48.32%	49.21%	51.87%
Medicaid	22.44%	16.82%	24.45%	22.61%
Full-Time Equivalents (FTE's)	476	455	437	449

Natchitoches Parish Hospital Service District  
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

**Operating and Financial Performance (continued)**

Allowances increased over prior year as described in the table below:

**Table 6: Allowance Summary**

	Year-end June 30			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Allowances:				
Medicare Contractual Allowances	\$ 27,473,012	\$ 25,339,865	\$ 24,835,116	\$ 22,597,285
Medicaid Contractual Allowances	15,758,094	10,389,463	10,198,143	9,157,795
Blue Cross, Louisiana State Employees, and other Contractual Allowances	16,619,920	12,471,054	12,812,890	12,180,590
Provision for Bad Debt	8,783,790	6,958,445	6,146,742	6,494,048
Other Adjustments	345,474	354,840	636,800	632,253
Physician Fee Revenue	(405,448)	(301,668)	(773,260)	-0-
Uncompensated Care Reimbursement	<u>-0-</u>	<u>-0-</u>	<u>(1,390,358)</u>	<u>(1,432,683)</u>
 Total Allowances	 <u>\$ 68,574,842</u>	 <u>\$ 55,211,999</u>	 <u>\$ 52,466,073</u>	 <u>\$ 49,629,288</u>

Accounts receivable increased from 59.2 days in 2011 to 80.3 days in 2012, then decreased to 74.5 days in 2013 and 72.4 days in 2014. This increase was due to several factors generally related to aging computer systems. This was one focus of the ongoing computer upgrade project discussed in other sections of this report. Excluded from net patient service revenue are charges forgone for patient services falling under the Hospital's charity care policy. Based on established rates, gross charges of \$148,652 were foregone in 2014, compared to \$147,373 in 2013, \$355,232 in 2012, \$476,533 in 2011. The Hospital has instituted an automated charity care system to assure consistent application of Board policies. Hospital assumes compliance with our charity policy results in only patients meeting specific criteria being classified as a charity care.

Natchitoches Parish Hospital Service District  
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

**Land & Depreciable Assets and Debt Administration**

**Land & Depreciable Assets**

At the end of 2014, the Hospital had \$36.7 million invested in land and depreciable assets, net of accumulated depreciation, as detailed in note 5 to the financial statements. In 2014, the Hospital purchased depreciable assets costing \$2,388,640, while depreciation of \$4,437,536 decreased net capital assets by \$2,048,894. Of this, \$1,180,871 (49.4%) was the acquisition of new equipment as can be seen in Table 8 below:

**Table 7: Land & Depreciable Assets**

	Year-end June 30			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 1,118,948	\$ 1,118,948	\$ 1,118,948	\$ 1,130,948
Building & Equipment	<u>89,298,693</u>	<u>83,307,898</u>	<u>83,485,194</u>	<u>82,955,722</u>
Subtotal	90,417,641	84,426,846	84,604,142	84,086,670
Less Accumulated Depr.	54,440,125	50,002,589	48,417,536	45,091,781
Construction in Progress	<u>805,531</u>	<u>4,407,684</u>	<u>2,140,161</u>	<u>569,437</u>
Depreciable capital assets, net	<u>\$ 36,783,047</u>	<u>\$ 38,831,941</u>	<u>\$ 38,326,767</u>	<u>\$ 39,564,326</u>

**Table 8: Major Additions over \$100,000**

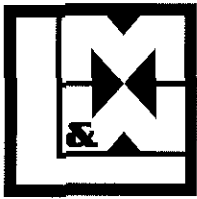
<u>Capital Investment</u>	<u>Department</u>	<u>2014 Cost</u>
Boiler room	Plant operations	\$ 579,808
IS computer room	Information Systems	\$ 500,429
Mammography update	Radiology	\$ 100,634

**Debt**

At year-end, the Hospital had \$10,815,000 in short-term and long-term debt. Long-term debt decreased by \$1,055,000 in fiscal year 2014. More detailed information about the Hospital's long-term liabilities is presented in the Note 8 to basic financial statements. Total debt outstanding represents approximately 14.8% of the Hospital's total assets at June 30, 2014 versus prior years of 16.0%, 17.5%, and 19.0% for 2013, 2012 and 2011, respectively.

**Contacting the Hospital's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital administration.



# **LESTER, MILLER & WELLS**

*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*

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## Independent Auditors' Report

To the Board of Commissioners  
Natchitoches Parish Hospital Service District  
Natchitoches, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the business-type activities of Natchitoches Parish Hospital Service District and its Affiliates (the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, as of and for the years ended June 30, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital, as of June 30, 2014, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "ix" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Board of Commissioners  
Natchitoches Parish Hospital Service District  
Natchitoches, Louisiana  
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#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2014, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hospital's internal control over financial reporting and compliance.

*Lester, Miller & Wells*

Certified Public Accountants  
Alexandria, Louisiana

November 12, 2014



NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED STATEMENTS OF NET POSITION  
JUNE 30,

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current			
Cash and cash equivalents	\$ 5,843,890	\$ 11,609,500	\$ 5,474,298
Limited use assets (Note 4)	520,036	492,327	477,811
Patient accounts receivable, net (Note 3)	8,191,689	7,839,286	9,065,521
Estimated third-party payor settlements	713,001	586,560	422,690
Other receivables	-0-	50,903	63,516
Inventory	1,450,989	1,377,954	1,332,550
Prepaid expenses	774,729	803,370	865,798
Notes receivable - current (Note 15)	114,698	363,421	369,421
Total Current Assets	<u>17,609,032</u>	<u>23,123,321</u>	<u>18,071,605</u>
Other			
Limited use assets (Note 4)	15,451,529	9,131,083	13,622,750
Land	1,118,948	1,118,948	1,118,948
Depreciable capital assets, net (Note 5)	35,664,099	37,712,993	37,207,819
Bond issue cost, net (Note 6)	54,897	61,186	67,475
Capitalized construction interest, net (Note 6)	1,847,331	1,904,775	1,962,218
Notes receivable (Note 15)	146,027	156,078	416,282
Other	1,020,914	468,767	477,936
Total Assets	<u>\$ 72,912,777</u>	<u>\$ 73,677,151</u>	<u>\$ 72,945,033</u>
 <u>LIABILITIES AND NET POSITION</u>			
Current			
Accounts payable	\$ 1,640,693	\$ 1,988,727	\$ 1,983,307
Accrued expenses	1,539,937	1,244,252	1,089,047
Unearned revenue	-0-	8,010	17,114
Estimated third-party payor settlements	317,745	350,000	367,535
Current portion of long-term debt (Note 8)	1,055,000	995,000	940,000
Total Current Liabilities	<u>4,553,375</u>	<u>4,585,989</u>	<u>4,397,003</u>
Long-term Liabilities			
Long-term debt (Note 8)	<u>9,760,000</u>	<u>10,815,000</u>	<u>11,810,000</u>
Total Liabilities	<u>14,313,375</u>	<u>15,400,989</u>	<u>16,207,003</u>
Net Position			
Invested in capital assets, net of related debt	25,968,047	27,021,941	25,576,767
Restricted	950,333	889,326	908,108
Unrestricted	31,026,594	29,719,193	29,407,004
Total Controlling Net Position	<u>57,944,974</u>	<u>57,630,460</u>	<u>55,891,879</u>
Noncontrolling interest in subsidiary	654,428	645,702	846,151
Total Net Position	<u>58,599,402</u>	<u>58,276,162</u>	<u>56,738,030</u>
Total Liabilities and Net Position	<u>\$ 72,912,777</u>	<u>\$ 73,677,151</u>	<u>\$ 72,945,033</u>

See accompanying notes to financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues			
Net patient service revenue	\$ 41,403,531	\$ 38,501,108	\$ 41,332,993
Other revenue	<u>7,695,892</u>	<u>7,796,945</u>	<u>6,123,555</u>
Total Revenues	<u>49,099,423</u>	<u>46,298,053</u>	<u>47,456,548</u>
Expenses			
Salaries and benefits	23,288,836	21,359,236	20,282,268
Medical supplies and drugs	3,892,227	3,616,605	3,887,724
Medical, professional and consulting	4,513,118	3,921,090	3,787,265
Other expenses	11,152,786	10,276,305	11,771,248
Retirement	117,225	105,770	98,852
Insurance	1,070,189	1,068,881	980,782
Leases	2,730	6,229	6,600
Depreciation and amortization	<u>4,525,136</u>	<u>3,634,499</u>	<u>3,555,982</u>
Total Expenses	<u>48,562,247</u>	<u>43,988,615</u>	<u>44,370,721</u>
Operating Income (Loss)	<u>537,176</u>	<u>2,309,438</u>	<u>3,085,827</u>
Nonoperating Revenues (Expenses)			
Noncapital grants	90,876	35,321	31,058
Interest income	7,729	6,655	3,928
Interest income from limited use assets	106,729	64,880	131,184
Interest expense	<u>(476,999)</u>	<u>(517,832)</u>	<u>(549,913)</u>
Total Nonoperating Revenues (Expenses)	<u>(271,665)</u>	<u>(410,976)</u>	<u>(383,743)</u>
Excess of Revenue Over Expenses	265,511	1,898,462	2,702,084
Less: Consolidated net income attributable to noncontrolling interest	(131,476)	(49,451)	(204,036)
Other Comprehensive Income			
Unrealized holding gains (losses)	<u>180,479</u>	<u>(110,430)</u>	<u>71,184</u>
Comprehensive Income (Loss)	314,514	1,738,581	2,569,232
Beginning net position	<u>57,630,460</u>	<u>55,891,879</u>	<u>53,322,647</u>
Ending net position	\$ <u>57,944,974</u>	\$ <u>57,630,460</u>	\$ <u>55,891,879</u>

See accompanying notes to financial statements.



NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 40,892,432	\$ 39,545,938	\$ 39,674,014
Other receipts from operations	7,738,785	7,793,454	6,103,165
Investment income received - nonrestricted	7,729	6,655	3,289
Cash payments to employees and for employee-related cost	(23,110,376)	(21,309,801)	(21,302,323)
Cash payments for other operating expenses	<u>(20,628,780)</u>	<u>(18,479,680)</u>	<u>(20,231,895)</u>
Net cash provided (used) by operating activities	<u>4,899,790</u>	<u>7,556,566</u>	<u>4,246,250</u>
Cash flows from investing activities:			
Cash invested in assets limited as to use - investment	(114,458)	(71,535)	(135,112)
Redemption of investments/principal return	(6,053,218)	4,438,256	(435,036)
Loans to physicians	(144,468)	(126,783)	(31,250)
Collection on physician loans	8,544	6,000	116,215
Cash invested in joint venture	(576,016)	(14,700)	(233,200)
Dividends paid to joint venture owners	(122,750)	(249,900)	(84,110)
Investment earnings	<u>106,729</u>	<u>64,880</u>	<u>131,823</u>
Net cash provided (used) by investing activities	<u>(6,895,637)</u>	<u>4,046,218</u>	<u>(670,670)</u>
Cash flows from financing activities:			
Proceeds from noncapital grants	<u>90,876</u>	<u>35,321</u>	<u>31,058</u>
Net cash provided (used) by financing activities	<u>90,876</u>	<u>35,321</u>	<u>31,058</u>
Cash flows from capital and related financing activities:			
Interest expense	(476,999)	(517,832)	(549,913)
Principal payments on long-term debt	(995,000)	(940,000)	(895,000)
Acquisition of capital assets	<u>(2,388,640)</u>	<u>(4,045,071)</u>	<u>(2,203,154)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(3,860,639)</u>	\$ <u>(5,502,903)</u>	\$ <u>(3,648,067)</u>

See accompanying notes to financial statements.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net increase (decrease) in cash and cash equivalents	\$ (5,765,610)	\$ 6,135,202	\$ (41,429)
Beginning cash and cash equivalents	<u>11,609,500</u>	<u>5,474,298</u>	<u>5,515,727</u>
Ending cash and cash equivalents	\$ <u>5,843,890</u>	\$ <u>11,609,500</u>	\$ <u>5,474,298</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>486,518</u>	\$ <u>528,210</u>	\$ <u>567,749</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 537,176	\$ 2,309,438	\$ 3,085,827
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Provision for bad debts	8,783,790	6,958,444	6,146,742
Depreciation and amortization	4,437,534	3,628,210	3,549,693
Amortization of bond issue cost	87,602	6,289	6,290
Physician loan amortization	394,698	386,987	419,969
Interest income	7,729	6,655	3,289
Gain/loss on sale of assets	-0-	(7,000)	(27,667)
Changes in current assets (increase) decrease:			
Patient accounts receivable, net	(9,136,193)	(5,732,210)	(8,310,433)
Estimated third-party payor settlements	(126,441)	(163,870)	582,177
Other receivables	50,903	12,613	1,081
Inventory	(73,035)	(45,404)	(27,794)
Prepaid expenses	28,641	62,428	(179,143)
Changes in current liabilities (increase) decrease:			
Accounts payable	(348,034)	5,420	(11,309)
Accrued expenses	295,685	155,205	(921,203)
Unearned revenue	(8,010)	(9,104)	6,196
Estimated third-party payor settlements	<u>(32,255)</u>	<u>(17,535)</u>	<u>(77,465)</u>
Net cash provided by operating activities	\$ <u>4,899,790</u>	\$ <u>7,556,566</u>	\$ <u>4,246,250</u>

See accompanying notes to financial statements.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014, 2013 AND 2012

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Legal Organizations

The Natchitoches Parish Hospital Service District (referred to as "the District" or "the Hospital") was created by an ordinance of the Natchitoches Parish Police Jury (the "Jury") on October 19, 1955. The governing board of the District consists of seven members appointed by the Jury. Because the Jury appoints all commissioners of the Natchitoches Parish Hospital Service District, the District is a component unit of the Natchitoches Parish Police Jury, which is the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Jury, or the other governmental units that comprise the financial reporting entity.

An affiliate, Natchitoches Outpatient Services, LLC (referred to as "NOP, LLC"), was organized January 22, 2004, as a Louisiana limited liability company. NOP, LLC is a perpetual limited liability company. The District has 50.9% ownership in NOP, LLC.

An affiliate, Natchitoches Assisted Living, LLC (referred to as "NAL, LLC"), was organized July 16, 2007, as a Louisiana limited liability company. NAL, LLC is a perpetual limited liability company. The District has 100% ownership in NAL, LLC.

An affiliate, Regional Cardiology Clinic, LLC (referred to as "RCC, LLC"), was organized March 2, 2009, as a Louisiana limited liability company. RCC, LLC is a perpetual limited liability company. The District has 50.1% ownership in RCC, LLC.

An affiliate, Natchitoches Regional Medical Center Foundation (referred to as "NRMC Foundation"), was incorporated November 3, 2005, as a Louisiana nonprofit corporation. NRMC Foundation has one class of members, consisting of two members, the District and Christus Health Central Louisiana. The District appoints six of the ten-member Board for NRMC Foundation, however two-thirds (2/3) vote is needed for certain major decisions. Therefore, the financials of NRMC Foundation are not consolidated in the District's financials.

Nature of Business

The District provides outpatient, ambulance, emergency and inpatient acute services through its hospital unit. The District also provides inpatient intermediate and skilled nursing services through its long-term care unit and hospital "swing-beds". In June 1995, the District opened a unit to provide geriatric psychiatric services and was recognized as a "distinct part" unit effective July 1, 1995.

NOP, LLC provides outpatient therapy and MRI services.

NAL, LLC provides housing and limited care for elderly residents as an assisted living center.

RCC, LLC provides outpatient cardiology diagnostic and testing services.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014, 2013 AND 2012

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The District and its affiliates use enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Cash and Cash Equivalents

Cash represents coin, currency, bank demand deposits and other negotiable instruments that are readily acceptable in lieu of currency. Cash equivalents are time deposits, certificates of deposit, treasury bills and mortgage backed securities purchased with a maturity of three months or less.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Investments

The Hospital classifies their investments as available-for-sale in response to changes in interest rates, liquidity needs and for other purposes. Available-for-sale securities are reported at fair value. Unrealized holdings gains and losses are reported as other comprehensive income.

Capital Assets

Purchased fixed assets are recorded at cost and donated fixed assets, if received, at fair market value on the date of any donation. Depreciation is calculated over estimated useful lives, using the straight-line method. Land was initially donated for hospital use, and it is recorded at the fair market value at the time of donation. Additional land was purchased, and it is recorded at cost.

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested capital assets net of related debt or restricted.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014, 2013 AND 2012

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Revenue and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Operating revenue also includes ad valorem taxes passed to provide the District with revenue to operate and maintain the District. Non exchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Income Taxes

The District is a political subdivision of the State of Louisiana and exempt from taxation.

NOP, LLC, NAL, LLC, and RCC, LLC do not pay federal corporate income taxes on its taxable income or are not allowed a net operating loss carryover or carryback as a deduction. Instead, the members are liable for individual federal income taxes on their respective shares of these companies' taxable income or include their respective shares of these companies' net operating loss in their individual income tax returns.

Grants and Contributions

From time to time, the District receives grants and contributions from the State of Louisiana, individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Credit Risk

The Hospital provides medical care primarily to Natchitoches Parish residents and grants credit to patients, substantially all of whom are local residents. The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 9. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014, 2013 AND 2012

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charge for the services provided, less an estimate for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient account receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expenses are recorded as a reduction of bad debt expense when received.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014, 2013 AND 2012

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Principles of Consolidation

The consolidated financial statements include the accounts of the District and its affiliates, after elimination of all significant intercompany balances and transactions. The District has recorded a minority interest for the portion of equity and income attributable to other investors in NOP, LLC and RCC, LLC.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

NOTE 2 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at June 30, 2014, 2013, and 2012.

Concentration of Credit Risks - The District has 25.9% in Federal Home Loan Bank, 16.1% in Exchange-traded products, 7.8% in Federal Home Loan Mortgage Corporation, 38.7% in Federal National Mortgage Association, and 6.0% in Certificates of Deposit.

Interest Rate Risks - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014, 2013 AND 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The District's investments are reported at fair value. At June 30, 2014, 2013 and 2012, the District had the following investments and maturities, all of which were held in the District's name by a custodial bank that is an agent of the District. The table below is with the assumption that the bonds are held until maturity.

<u>June 30, 2014</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Money Markets	\$ 83,255	\$ 83,255	\$ -0-	\$ -0-	\$ -0-
Fed National Mortgage Assoc.	5,809,764	-0-	2,554,748	2,951,107	303,909
Federal Home Loan Bank	3,886,155	-0-	3,886,155	-0-	-0-
Federal Home Loan Mortgage	1,168,521	-0-	1,168,521	-0-	-0-
Financing Corp	362,681	-0-	362,681	-0-	-0-
Corporate Bond	388,668	-0-	388,668	-0-	-0-
Certificates of Deposit	902,383	225,795	676,588	-0-	-0-
Exchange-Traded Products	<u>2,419,925</u>	<u>2,419,925</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>15,021,352</u>	\$ <u>2,728,975</u>	\$ <u>9,037,361</u>	\$ <u>2,951,107</u>	\$ <u>303,909</u>

<u>June 30, 2013</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Money Markets	\$ 22,877	\$ 22,877	\$ -0-	\$ -0-	\$ -0-
Fed National Mortgage Assoc.	1,075,391	-0-	1,071,930	3,461	-0-
Federal Home Loan Bank	2,458,075	-0-	2,458,075	-0-	-0-
Federal Home Loan Mortgage	1,153,824	-0-	1,153,824	-0-	-0-
Financing Corp	356,336	-0-	356,336	-0-	-0-
Corporate Bond	381,104	-0-	381,104	-0-	-0-
Certificates of Deposit	885,338	566,196	319,142	-0-	-0-
Exchange-Traded Products	<u>2,401,140</u>	<u>2,401,140</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>8,734,085</u>	\$ <u>2,990,213</u>	\$ <u>5,740,411</u>	\$ <u>3,461</u>	\$ <u>-0-</u>



NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014, 2013 AND 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

<u>June 30, 2012</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LHIP - Public Trust A	\$ 6,897,365	\$ 827,684	\$ 2,345,104	\$ 3,724,577	\$ -0-
Money Markets	599,605	599,605	-0-	-0-	-0-
Fed National Mortgage Assoc.	2,729,303	2,221,429	-0-	503,171	4,703
Certificates of Deposit	884,174	94,046	790,128	-0-	-0-
Exchange-Traded Products	<u>1,350,536</u>	<u>1,350,536</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>12,460,983</u>	\$ <u>5,093,300</u>	\$ <u>3,135,232</u>	\$ <u>4,227,748</u>	\$ <u>4,703</u>

Credit Risks - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2014, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's</u>	<u>Moody's Investor's Service</u>
Federal National Mortgage Association	AAA	AA+
Federal Home Loan Bank	AAA	AA+
Exchange-Traded Products	Treasury Bond Funds/	Not Rated
Federal Home Loan Mortgage Association	AAA	AA+
Mutual Funds	Not Rated	Not Rated
Corporate Bond: Gov't	Treasury Bond Fund/	Not Rated

Account balances according to banks' records at June 30, 2014, for the District are as follows:

	<u>City Bank &amp; Trust</u>	<u>People's State Bank</u>
Cash in banks	\$ <u>224,155</u>	\$ <u>5,945,548</u>
Insured by FDIC	\$ <u>224,155</u>	\$ <u>250,000</u>
Collateralization by fair market value	\$ <u>-0-</u>	\$ <u>5,695,548</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
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NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amounts of deposits and investments are included in the District's balance sheet as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Carrying amount			
Deposits	\$ 6,363,926	\$ 12,101,827	\$ 5,952,109
Investments	<u>15,021,232</u>	<u>8,734,084</u>	<u>13,192,453</u>
	<u>\$ 21,385,158</u>	<u>\$ 20,835,911</u>	<u>\$ 19,144,562</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 5,843,890	\$ 11,609,500	\$ 5,474,298
Current limited use assets	520,036	492,327	477,811
Other limited use assets	<u>15,021,232</u>	<u>8,734,084</u>	<u>13,192,453</u>
	<u>\$ 21,385,158</u>	<u>\$ 20,835,911</u>	<u>\$ 19,144,562</u>

NOTE 3 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Patient accounts receivable	\$ 13,569,733	\$ 12,177,154	\$ 13,200,963
Less provision for uncollectibles	<u>(5,378,044)</u>	<u>(4,337,868)</u>	<u>(4,135,442)</u>
Net accounts receivable	<u>\$ 8,191,689</u>	<u>\$ 7,839,286</u>	<u>\$ 9,065,521</u>

The following is a summary of the mix of receivables from patient and third-party payors at June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare	16%	17%	25%
Medicaid and Medicaid managed care plans	15%	22%	16%
Blue Cross Blue Shield	7%	10%	8%
Commercial and other third-party payors	18%	17%	24%
Patients	<u>44%</u>	<u>34%</u>	<u>27%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid and third-party payors are shown net of contractual allowances.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
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NOTE 4 - LIMITED USE ASSETS

A summary of limited use assets is presented below:

<u>By Third Parties</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash with paying agent - interest and principal, due 10/01 (Series 2000 Bonds)	\$ 487,690	\$ 467,366	\$ 450,467
Patient trust funds	32,346	24,961	27,344
LHA trust deposits	430,297	396,999	430,297
<u>By Board</u>			
Repair and replacement - cash and cash equivalents	2,433,530	2,404,615	2,418,550
Repair and replacement - investments	12,587,702	6,329,469	10,773,903
Less limited use assets required for current liabilities	<u>(520,036)</u>	<u>(492,327)</u>	<u>(477,811)</u>
Non-current limited use assets	\$ <u>15,451,529</u>	\$ <u>9,131,083</u>	\$ <u>13,622,750</u>

NOTE 5 - DEPRECIABLE CAPITAL ASSETS, NET

The following is a summary of capital assets and related accumulated depreciation for the year ended:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Land improvements	\$ 747,386	\$ 19,500	\$ -0-	\$ 766,886
Buildings	55,734,279	488,007	-0-	56,222,286
Furniture, fixtures & equipment	26,826,233	5,483,288	-0-	32,309,521
Construction in progress	<u>4,407,684</u>	<u>3,157,621</u>	<u>6,759,774</u>	<u>805,531</u>
Total	87,715,582	9,148,416	6,759,774	90,104,224
Accumulated depreciation	<u>50,002,589</u>	<u>4,437,536</u>	<u>-0-</u>	<u>54,440,125</u>
Net	\$ <u>37,712,993</u>	\$ <u>4,710,880</u>	\$ <u>6,759,774</u>	\$ <u>35,664,099</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
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NOTE 5 - DEPRECIABLE CAPITAL ASSETS, NET (Continued)

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
Land improvements	\$ 751,337	\$ -0-	\$ 3,951	\$ 747,386
Buildings	55,058,969	768,769	93,459	55,734,279
Furniture, fixtures & equipment	27,674,888	1,018,333	1,866,988	26,826,233
Construction in progress	<u>2,140,161</u>	<u>2,936,062</u>	<u>668,539</u>	<u>4,407,684</u>
Total	85,625,355	4,723,164	2,632,937	87,715,582
Accumulated depreciation	<u>48,417,536</u>	<u>3,546,938</u>	<u>1,961,885</u>	<u>50,002,589</u>
Net	\$ <u>37,207,819</u>	\$ <u>1,176,226</u>	\$ <u>671,052</u>	\$ <u>37,712,993</u>

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Land improvements	\$ 751,337	\$ -0-	\$ -0-	\$ 751,337
Buildings	55,058,969	-0-	-0-	55,058,969
Furniture, fixtures & equipment	27,145,416	751,104	221,632	27,674,888
Construction in progress	<u>569,437</u>	<u>1,570,724</u>	<u>-0-</u>	<u>2,140,161</u>
Total	83,525,159	2,321,828	221,632	85,625,355
Accumulated depreciation	<u>45,091,781</u>	<u>3,468,380</u>	<u>142,625</u>	<u>48,417,536</u>
Net	\$ <u>38,433,378</u>	\$ <u>(1,146,552)</u>	\$ <u>79,007</u>	\$ <u>37,207,819</u>

Depreciation was calculated using the straight-line method. Useful lives for the purpose of calculating depreciation by class are:

Buildings	10 - 40 years
Furniture, fixtures and equipment	3 - 15 years

NOTE 6 - OTHER ASSETS

Bond issue costs of \$46,609 were incurred for the 2000 Revenue Bonds and is being amortized using the straight-line method over the remaining life of the bonds (20 years) beginning in the fiscal year 2006.

Capitalized interest of \$1,814,579 was accumulated as of June 30, 2006 for the 2000 Revenue Bonds and is being amortized using the straight-line method over the life of the building beginning in the fiscal year 2006.

Bond issue costs of \$47,730 were incurred for the 2008 Revenue Bonds and is being amortized over the remaining life of the bonds (20 years) beginning in 2010.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
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NOTE 6 - OTHER ASSETS (Continued)

Capitalized interest of \$428,142 was accumulated as of June 30, 2010 for the 2008 Revenue Bonds and is being amortized using the straight-line method over the life of the building beginning in the fiscal year 2010.

NOTE 7 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$795,201, \$659,845, and \$552,779 of vacation pay at June 30, 2014, 2013, and 2012. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations follows:

	June 30, 2013	Additions	Payments	June 30, 2014	Due Within One Year
Series 2000 Bonds Payable	\$ 5,390,000	\$ -0-	\$ 545,000	\$ 4,845,000	\$ 580,000
Series 2008 Bonds Payable	<u>6,420,000</u>	<u>-0-</u>	<u>450,000</u>	<u>5,970,000</u>	<u>475,000</u>
Total	\$ <u>11,810,000</u>	\$ <u>-0-</u>	\$ <u>995,000</u>	\$ <u>10,815,000</u>	\$ <u>1,055,000</u>
	June 30, 2012	Additions	Payments	June 30, 2013	Due Within One Year
Series 2000 Bonds Payable	\$ 5,905,000	\$ -0-	\$ 515,000	\$ 5,390,000	\$ 545,000
Series 2008 Bonds Payable	<u>6,845,000</u>	<u>-0-</u>	<u>425,000</u>	<u>6,420,000</u>	<u>450,000</u>
Total	\$ <u>12,750,000</u>	\$ <u>-0-</u>	\$ <u>940,000</u>	\$ <u>11,810,000</u>	\$ <u>995,000</u>
	June 30, 2011	Additions	Payments	June 30, 2012	Due Within One Year
Series 2000 Bonds Payable	\$ 6,395,000	\$ -0-	\$ 490,000	\$ 5,905,000	\$ 515,000
Series 2008 Bonds Payable	<u>7,250,000</u>	<u>-0-</u>	<u>405,000</u>	<u>6,845,000</u>	<u>425,000</u>
Total	\$ <u>13,645,000</u>	\$ <u>-0-</u>	\$ <u>895,000</u>	\$ <u>12,750,000</u>	\$ <u>940,000</u>

The following are the terms and due dates of the Hospital's long-term debt at June 30:

- Series 2000 Hospital Revenue Bond at 6% collateralized by a pledge and dedication of hospital revenue. Effective April 27, 2010, the rate has been changed to 4.35%.
- Series 2008 Hospital Revenue Bonds at 4.26% collateralized by a pledge and dedication of hospital revenue.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 8 - LONG-TERM DEBT (Continued)

On June 14, 2000, the Series 2000 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital as well as a lien and privilege on its revenues.

On July 29, 2008, the Series 2008 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital.

The Hospital has covenanted to set rates so that revenues are sufficient to pay all reasonable and necessary expenses of operating and maintaining the Hospital, certain multiples of the largest amount of principal and interest maturing on the Bonds in any future fiscal year and on any pari passu additional bonds hereafter issued. Those multiples range from 120% to 200%.

Other requirements under the terms of indebtedness are as follows:

- \* Sale or disposition of Hospital property, plant and equipment is limited. Future debt agreements may not take priority over this series of debt.
- \* Make monthly deposits equal to the pro-rata portion of the next principal and/or interest payment, which are to be maintained in fully backed or government securities investments, with market values greater than invested dollars.
- \* Collect payment on all services rendered, except for an undisclosed, reasonable amount of charity care.
- \* Maintain all assets in good working order.
- \* Carry full insurance coverage with a responsible licensed Louisiana company.
- \* Maintain complete and accurate records and have an annual audit.
- \* Maintain cash on hand of not less than 60 days of operating expenses net of depreciation and amortization.
- \* Provide quarterly statements to the purchaser.
- \* Protect tax exempt status and refrain from activities that would require payment of arbitrage to the IRS.

Scheduled principal and interest repayments on the long-term debt follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 1,055,000	\$ 442,348	\$ 1,497,348
2016	1,115,000	395,588	1,510,588
2017	1,175,000	346,242	1,521,242
2018	1,235,000	294,308	1,529,308
2019	1,305,000	239,570	1,544,570
2020-2024	<u>4,930,000</u>	<u>440,013</u>	<u>5,370,013</u>
Totals	\$ <u>10,815,000</u>	\$ <u>2,158,069</u>	\$ <u>12,973,069</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 9 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until March 31, 2015, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$689,816, \$432,997 and \$387,781 for the years ended June 30, 2014, 2013 and 2012, respectively. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed and skilled nursing facility routine services are reimbursed based on a prospectively determined rate per patient day. Geriatric psychiatry services are reimbursed based on a prospective method based on length of stay, diagnosis, and other factors. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through June 30, 2010.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Geriatric psychiatry services are reimbursed on a prospectively determined per diem rate. In fiscal year 2014, 2013 and 2012, a Medicaid supplemental physician payment of \$405,448, \$301,668 and \$773,260 was received after payments of \$20,136, \$13,667 and \$25,434, respectively, in administrative fees and inter-governmental transfer payments. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through June 30, 2008.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 15%, 14%, and 13% of the total gross charges for the years ended June 30, 2014, 2013 and 2012, respectively.

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in an increase of \$115,548 in the FY 2014 net patient service revenue.

The Patient Protection and Affordable Care Act (PPACA) was passed into law in 2010. This federal legislation is extremely complex and will substantially change the landscape of the healthcare industry. The PPACA has the potential to affect both payment rates and coverage issues for all healthcare payors. While the overall impact of the PPACA cannot currently be estimated, it would have a negative impact on the District's revenues.

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 9 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the Hospital's net patient service revenue for the years ended June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Gross patient service charges	\$ 109,978,373	\$ 93,713,107	\$ 93,799,066
Contractual adjustments - Medicare and Medicaid	(43,231,106)	(35,729,328)	(35,033,259)
Contractual adjustments - other third parties	(16,619,920)	(12,471,054)	(12,812,890)
Provision for bad debts	(8,783,790)	(6,958,445)	(6,146,742)
Free care	(148,652)	(147,373)	(355,232)
Other deductions	(196,822)	(207,467)	(281,568)
Professional fee revenue	405,448	301,668	773,260
Uncompensated care reimbursement	<u>-0-</u>	<u>-0-</u>	<u>1,390,358</u>
Net patient service revenue	\$ <u>41,403,531</u>	\$ <u>38,501,108</u>	\$ <u>41,332,993</u>

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare and Medicaid gross patient charges	\$ 68,195,135	\$ 59,334,791	\$ 58,845,007
Contractual adjustments with uncompensated care reimbursement	<u>(43,231,106)</u>	<u>(35,729,328)</u>	<u>(33,642,901)</u>
Program patient service revenue with Medicaid UCC reimbursement	\$ <u>24,964,029</u>	\$ <u>23,605,463</u>	\$ <u>25,202,106</u>
Percent of gross patient charges	62%	63%	63%
Percent of total net patient revenue	60%	61%	61%

The Hospital received interim amounts of \$-0, \$-0- and \$1,390,358 for Medicaid and self-pay uncompensated care services for the years ended June 30, 2014, 2013 and 2012, respectively, which represents -0-%, -0-%, and 3% of the net patient service revenues, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations limit uncompensated cost to actual cost incurred by the Hospital in each state fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. Management estimated that the Hospital was overpaid \$40,000 during fiscal year ended 2011 and has made a provision for such recoupment. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise. In 2012, the Hospital began participation in a grant program with other hospitals (see Note 19) which supplements payments previously paid under UCC.



NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 10 - RETIREMENT PROGRAM

Employees may participate in a qualified defined contribution retirement plan, which is administered by VALIC. Each employee is eligible to join the plan immediately upon employment. Employees become vested in the employer's contribution 25% per year until 100% vested at 4 years of employment. The District must make contributions equal to 25% of the employee's required contribution and can elect to contribute up to 100% of the employee's required contribution.

Total payroll	\$ 20,811,283
Total covered payroll	11,759,725
Employee contributions	470,389
Employer contributions	\$ 118,479
Less forfeitures	<u>1,254</u>
Net employer contributions	<u>\$ 117,225</u>

NOTE 11 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. Legal action in an attempt to overturn this legislation on constitutional grounds is in process.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NOTE 12 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
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NOTE 13 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 150% scale. Accordingly, the Hospital does not report the amount it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. Amounts identified as charity care charges are \$148,652, \$147,373 and \$355,232 for the years ended June 30, 2014, 2013 and 2012, respectively. The related cost of care was approximately \$66,000, \$69,000 and \$168,000, for the fiscal years ended in 2014, 2013 and 2012, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$68,000, \$152,000 and \$205,000 for the years ended June 30, 2014, 2013 and 2012, respectively.

NOTE 14 - SELF-FUNDED BENEFITS PLAN

The District maintains a self-funded medical/dental benefits plan. The District entered into an agreement as of 2003, with HCC Life Insurance Company, for supervision of the plan. The Hospital purchases "excess" insurance coverage that provides for payment of 100% of claims in excess of \$80,000 per year up to specific individual maximums of \$1,000,000.

NOTE 15 - NOTES RECEIVABLE AND PHYSICIAN CONTRACT GUARANTEES

The following is a summary of notes receivable and physician contract guarantees at June 30. Management asserts no allowances for uncollectible accounts are needed.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Physician notes	\$ 80,638	\$ -0-	\$ 6,000
Physician contract guarantees	<u>180,087</u>	<u>519,499</u>	<u>779,703</u>
	260,725	519,499	785,703
Less current maturities	<u>(114,698)</u>	<u>(363,421)</u>	<u>(369,421)</u>
Long-term notes receivable	\$ <u>146,027</u>	\$ <u>156,078</u>	\$ <u>416,282</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 16 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Third-Party Government-Based Revenues (Note 1) - Cost reimbursements are subject to examination by agencies administering the programs. Effective October 1, 1983, the Medicare program discontinued its cost-based reimbursement system for inpatient services. Under the program, the District receives a fixed fee for each patient, which is determined by the government. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 11) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 12) - The District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Hill-Burton Uncompensated Service and Community Service Obligations - As a result of the District receiving a Federal Hill-Burton program grant, the District is required to provide a reasonable volume of uncompensated services to patients who are unable to pay for their medical care. The District's obligation for uncompensated services was fulfilled on July 17, 1998. Additionally, the District is obligated to provide community service.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 17 - AD VALOREM TAXES

The District levies a property tax on all property subject to taxation in the service district. A 5.53 mill tax is approved for a period of ten years, beginning with the year 2003 and ending with the year 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. Beginning in year 2013, a 5.31 mil tax was approved for a period of ten years for the same purposes. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 18 - COMMITMENTS

The District entered into various construction contracts, which totaled \$3,067,201, including change orders as of June 30, 2014. The Hospital paid \$428,896 towards these commitments as of June 30, 2014.

NOTE 19 - GRANTS

The District received a grant of \$2,339,632, \$2,992,502 and \$945,747 in 2014, 2013 and 2012, respectively, to be used solely to provide adequate and essential medically necessary healthcare services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the District, along with the other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement.

The District recognized operating grant income of approximately \$1,160,000 for Medicare and \$731,000 for Medicaid during the years ended June 30, 2014 and 2012, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payment is "demonstrating meaningful use", which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The District's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the District meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

Various other grants were received during the year for other uses.

NOTE 20 - SUBSEQUENT EVENTS

Events have been evaluated through November 12, 2014, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENTS OF NET POSITION  
JUNE 30, 2014

		Natchitoches Regional Medical <u>Center</u>	Natchitoches Outpatient <u>Services, LLC</u>	Natchitoches Assisted <u>Living, LLC</u>	Regional Cardiology <u>Clinic, LLC</u>	Eliminating <u>Entries</u>	<u>Consolidated</u>
<u>ASSETS</u>							
Current							
Cash and cash equivalents	\$	5,034,807	\$ 308,978	\$ 116,183	\$ 383,922	\$ -0-	\$ 5,843,890
Limited use assets		520,036	-0-	-0-	-0-	-0-	520,036
Patient accounts receivable, net		8,016,484	92,679	-0-	82,526	-0-	8,191,689
Estimated third-party payor settlements		713,001	-0-	-0-	-0-	-0-	713,001
Other receivables		3,482	(3,692)	210	-0-	-0-	-0-
Inventory		1,450,989	-0-	-0-	-0-	-0-	1,450,989
Prepaid expenses		766,842	1,100	5,291	1,496	-0-	774,729
Notes receivable - current		<u>114,698</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>114,698</u>
Total Current Assets		<u>16,620,339</u>	<u>399,065</u>	<u>121,684</u>	<u>467,944</u>	<u>-0-</u>	<u>17,609,032</u>
Other							
Limited use assets		15,451,529	-0-	-0-	-0-	-0-	15,451,529
Land		1,073,049	-0-	45,899	-0-	-0-	1,118,948
Depreciable capital assets, net		33,891,006	15,991	1,687,232	69,870	-0-	35,664,099
Bond issue cost, net		54,897	-0-	-0-	-0-	-0-	54,897
Capitalized construction interest		1,847,331	-0-	-0-	-0-	-0-	1,847,331
Notes receivable		146,027	-0-	-0-	-0-	-0-	146,027
Other		<u>3,140,438</u>	<u>233,200</u>	<u>-0-</u>	<u>135,258</u>	<u>(2,487,982)</u>	<u>1,020,914</u>
Total Assets	\$	<u>72,224,616</u>	<u>\$ 648,256</u>	<u>\$ 1,854,815</u>	<u>\$ 673,072</u>	<u>\$ (2,487,982)</u>	<u>\$ 72,912,777</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENTS OF NET POSITION (Continued)  
JUNE 30, 2014

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
<u>LIABILITIES AND NET POSITION</u>						
Current						
Accounts payable	\$ 1,618,278	\$ 428	\$ 25,955	\$ (3,968)	\$ -0-	\$ 1,640,693
Accrued expenses	1,528,616	-0-	8,313	3,008	-0-	1,539,937
Unearned revenue	-0-	-0-	-0-	-0-	-0-	-0-
Estimated third-party payor settlements	317,745	-0-	-0-	-0-	-0-	317,745
Current portion of long-term debt	1,055,000	-0-	-0-	-0-	-0-	1,055,000
Total Current Liabilities	<u>4,519,639</u>	<u>428</u>	<u>34,268</u>	<u>(960)</u>	<u>-0-</u>	<u>4,553,375</u>
Long-term Liabilities						
Long-term debt	<u>9,760,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,760,000</u>
Total Liabilities	<u>14,279,639</u>	<u>428</u>	<u>34,268</u>	<u>(960)</u>	<u>-0-</u>	<u>14,313,375</u>
Net Position						
Invested in capital assets, net of related debt	24,149,055	-0-	-0-	-0-	1,818,992	25,968,047
Restricted	950,333	-0-	-0-	-0-	-0-	950,333
Unrestricted	<u>32,845,589</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,818,995)</u>	<u>31,026,594</u>
Total Controlling Net Position	57,944,977	-0-	-0-	-0-	(3)	57,944,974
Noncontrolling interest in subsidiary	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>654,428</u>	<u>654,428</u>
Total Net Position	<u>57,944,977</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>654,425</u>	<u>58,599,402</u>
Members' Equity	<u>-0-</u>	<u>647,828</u>	<u>1,820,547</u>	<u>674,032</u>	<u>(3,142,407)</u>	<u>-0-</u>
Total Liabilities and Net Position	\$ <u>72,224,616</u>	\$ <u>648,256</u>	\$ <u>1,854,815</u>	\$ <u>673,072</u>	\$ <u>(2,487,982)</u>	\$ <u>72,912,777</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2014

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
Revenues						
Net patient service revenue	\$ 40,879,331	\$ 524,138	\$ -0-	\$ 62	\$ -0-	\$ 41,403,531
Other revenue	<u>7,379,635</u>	<u>545</u>	<u>392,360</u>	<u>929,766</u>	<u>(1,006,414)</u>	<u>7,695,892</u>
Total Revenues	<u>48,258,966</u>	<u>524,683</u>	<u>392,360</u>	<u>929,828</u>	<u>(1,006,414)</u>	<u>49,099,423</u>
Expenses						
Salaries and benefits	22,716,166	-0-	203,582	369,088	-0-	23,288,836
Medical supplies and drugs	3,752,938	20,250	-0-	119,039	-0-	3,892,227
Medical, professional and consulting	4,423,114	90,004	-0-	-0-	-0-	4,513,118
Other expenses	11,507,208	240,973	143,433	214,459	(953,287)	11,152,786
Retirement	117,225	-0-	-0-	-0-	-0-	117,225
Insurance	1,031,179	7,956	21,859	9,195	-0-	1,070,189
Leases	1,650	-0-	-0-	1,080	-0-	2,730
Depreciation and amortization	<u>4,303,727</u>	<u>5,112</u>	<u>104,953</u>	<u>111,344</u>	<u>-0-</u>	<u>4,525,136</u>
Total Expenses	<u>47,853,207</u>	<u>364,295</u>	<u>473,827</u>	<u>824,205</u>	<u>(953,287)</u>	<u>48,562,247</u>
Operating Income (Loss)	<u>405,759</u>	<u>160,388</u>	<u>(81,467)</u>	<u>105,623</u>	<u>(53,127)</u>	<u>537,176</u>
Nonoperating Revenues (Expenses)						
Noncapital grants	90,876	-0-	-0-	-0-	-0-	90,876
Interest income	7,670	40	19	-0-	-0-	7,729
Interest income from limited use assets	106,729	-0-	-0-	-0-	-0-	106,729
Interest expense	<u>(476,999)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(476,999)</u>
Total Nonoperating Rev (Exp)	<u>(271,724)</u>	<u>40</u>	<u>19</u>	<u>-0-</u>	<u>-0-</u>	<u>(271,665)</u>
Excess of Revenue over Expenses	\$ 134,035	\$ 160,428	\$ (81,448)	\$ 105,623	\$ (53,127)	\$ 265,511



NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)  
YEAR ENDED JUNE 30, 2014

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
Less: Consolidated net income attributable to noncontrolling interest	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (131,476)	\$ (131,476)
Other comprehensive income						
Unrealized holding gains (losses)	<u>180,479</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>180,479</u>
Comprehensive income (loss)	314,514	160,428	(81,448)	105,623	(184,603)	314,514
Beginning net position	57,630,463	737,400	1,901,995	568,409	(3,207,807)	57,630,460
Capital contribution	-0-	-0-	-0-	-0-	-0-	-0-
Distribution paid	<u>-0-</u>	<u>250,000</u>	<u>-0-</u>	<u>-0-</u>	<u>(250,000)</u>	<u>-0-</u>
Ending net position	\$ <u>57,944,977</u>	\$ <u>647,828</u>	\$ <u>1,820,547</u>	\$ <u>674,032</u>	\$ <u>(3,142,410)</u>	\$ <u>57,944,974</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENTS OF NET POSITION  
JUNE 30, 2013

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
<u>ASSETS</u>						
Current						
Cash and cash equivalents	\$ 10,920,148	\$ 432,714	\$ 91,026	\$ 165,612	\$ -0-	\$ 11,609,500
Limited use assets	492,327	-0-	-0-	-0-	-0-	492,327
Patient accounts receivable, net	7,771,252	68,034	-0-	66,893	(66,893)	7,839,286
Estimated third-party payor settlements	586,560	-0-	-0-	-0-	-0-	586,560
Other receivables	52,875	(2,182)	210	-0-	-0-	50,903
Inventory	1,371,766	1,251	2,057	2,880	-0-	1,377,954
Prepaid expenses	778,100	-0-	6,042	19,228	-0-	803,370
Notes receivable - current	<u>363,421</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>363,421</u>
Total Current Assets	<u>22,336,449</u>	<u>499,817</u>	<u>99,335</u>	<u>254,613</u>	<u>(66,893)</u>	<u>23,123,321</u>
Other						
Limited use assets	9,131,083	-0-	-0-	-0-	-0-	9,131,083
Land	1,073,049	-0-	45,899	-0-	-0-	1,118,948
Depreciable capital assets, net	35,752,742	21,103	1,781,803	157,345	-0-	37,712,993
Bond issue cost, net	61,186	-0-	-0-	-0-	-0-	61,186
Capitalized construction interest	1,904,775	-0-	-0-	-0-	-0-	1,904,775
Notes receivable	156,078	-0-	-0-	-0-	-0-	156,078
Other	<u>2,638,545</u>	<u>233,200</u>	<u>-0-</u>	<u>159,127</u>	<u>(2,562,105)</u>	<u>468,767</u>
Total Assets	\$ <u>73,053,907</u>	\$ <u>754,120</u>	\$ <u>1,927,037</u>	\$ <u>571,085</u>	\$ <u>(2,628,998)</u>	\$ <u>73,677,151</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENTS OF NET POSITION (Continued)  
JUNE 30, 2013

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
<u>LIABILITIES AND NET POSITION</u>						
Current						
Accounts payable	\$ 2,019,953	\$ 16,720	\$ 18,968	\$ (21)	\$ (66,893)	\$ 1,988,727
Accrued expenses	1,235,481	-0-	6,074	2,697	-0-	1,244,252
Unearned revenue	8,010	-0-	-0-	-0-	-0-	8,010
Estimated third-party payor settlements	350,000	-0-	-0-	-0-	-0-	350,000
Current portion of long-term debt	995,000	-0-	-0-	-0-	-0-	995,000
Total Current Liabilities	<u>4,608,444</u>	<u>16,720</u>	<u>25,042</u>	<u>2,676</u>	<u>(66,893)</u>	<u>4,585,989</u>
Long-term Liabilities:						
Long-term debt	10,815,000	-0-	-0-	-0-	-0-	10,815,000
Total Liabilities	<u>15,423,444</u>	<u>16,720</u>	<u>25,042</u>	<u>2,676</u>	<u>(66,893)</u>	<u>15,400,989</u>
Net Position						
Invested in capital assets, net of related debt	25,015,791	-0-	-0-	-0-	2,006,150	27,021,941
Restricted	889,326	-0-	-0-	-0-	-0-	889,326
Unrestricted	31,725,346	-0-	-0-	-0-	(2,006,153)	29,719,193
Total Controlling Net Position	57,630,463	-0-	-0-	-0-	(3)	57,630,460
Noncontrolling interest in subsidiary	-0-	-0-	-0-	-0-	645,702	645,702
Total Net Position	<u>57,630,463</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>645,699</u>	<u>58,276,162</u>
Members' Equity	<u>-0-</u>	<u>737,400</u>	<u>1,901,995</u>	<u>568,409</u>	<u>(3,207,804)</u>	<u>-0-</u>
Total Liabilities and Net Position	\$ <u>73,053,907</u>	\$ <u>754,120</u>	\$ <u>1,927,037</u>	\$ <u>571,085</u>	\$ <u>(2,628,998)</u>	\$ <u>73,677,151</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2013

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
<b>Revenues</b>						
Net patient service revenue	\$ 38,086,040	\$ 533,714	\$ -0-	\$ (118,646)	\$ -0-	\$ 38,501,108
Other revenue	7,430,511	754	458,163	729,082	(821,565)	7,796,945
Total Revenues	<u>45,516,551</u>	<u>534,468</u>	<u>458,163</u>	<u>610,436</u>	<u>(821,565)</u>	<u>46,298,053</u>
<b>Expenses</b>						
Salaries and benefits	20,796,326	(324)	205,647	357,587	-0-	21,359,236
Medical supplies and drugs	3,520,099	15,443	-0-	81,063	-0-	3,616,605
Medical, professional and consulting	3,846,748	74,342	-0-	-0-	-0-	3,921,090
Other expenses	10,535,460	165,479	148,811	220,443	(793,888)	10,276,305
Retirement	105,770	-0-	-0-	-0-	-0-	105,770
Insurance	1,034,393	2,628	22,513	9,347	-0-	1,068,881
Leases	6,050	-0-	-0-	179	-0-	6,229
Depreciation and amortization	3,411,677	3,914	107,564	111,344	-0-	3,634,499
Total expenses	<u>43,256,523</u>	<u>261,482</u>	<u>484,535</u>	<u>779,963</u>	<u>(793,888)</u>	<u>43,988,615</u>
Operating Income (Loss)	<u>2,260,028</u>	<u>272,986</u>	<u>(26,372)</u>	<u>(169,527)</u>	<u>(27,677)</u>	<u>2,309,438</u>
<b>Nonoperating Revenues (Expenses)</b>						
Noncapital grants	35,321	-0-	-0-	-0-	-0-	35,321
Interest income	6,614	18	23	-0-	-0-	6,655
Interest income from limited use assets	64,880	-0-	-0-	-0-	-0-	64,880
Interest expense	(517,832)	-0-	-0-	-0-	-0-	(517,832)
Total Nonoperating Rev (Exp)	<u>(411,017)</u>	<u>18</u>	<u>23</u>	<u>-0-</u>	<u>-0-</u>	<u>(410,976)</u>
<b>Excess of Revenue over Expenses</b>	<b>\$ 1,849,011</b>	<b>\$ 273,004</b>	<b>\$ (26,349)</b>	<b>\$ (169,527)</b>	<b>\$ (27,677)</b>	<b>\$ 1,898,462</b>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)  
YEAR ENDED JUNE 30, 2013

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
Less: Consolidated net income attributable to noncontrolling interest	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (49,451)	\$ (49,451)
Other comprehensive income						
Unrealized holding gains (losses)	(110,427)	(2)	-0-	(1)	-0-	(110,430)
Comprehensive income (loss)	1,738,584	273,002	(26,349)	(169,528)	(77,128)	1,738,581
Beginning net position	55,891,879	871,730	1,928,344	837,937	(3,638,011)	55,891,879
Capital contribution	-0-	-0-	-0-	-0-	-0-	-0-
Distribution paid	-0-	407,332	-0-	100,000	(507,332)	-0-
Ending net position	\$ <u>57,630,463</u>	\$ <u>737,400</u>	\$ <u>1,901,995</u>	\$ <u>568,409</u>	\$ <u>(3,207,807)</u>	\$ <u>57,630,460</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENTS OF NET POSITION  
JUNE 30, 2012

		Natchitoches		Natchitoches		Natchitoches		Regional		Eliminating		Consolidated
		Regional		Outpatient		Assisted		Cardiology		Entries		
	<u>ASSETS</u>	<u>Center</u>		<u>Services, LLC</u>		<u>Living, LLC</u>		<u>Clinic, LLC</u>				
Current												
Cash and cash equivalents	\$	4,753,919	\$	464,368	\$	17,602	\$	238,409	\$	-0-	\$	5,474,298
Limited use assets		477,811		-0-		-0-		-0-		-0-		477,811
Patient accounts receivable, net		8,708,207		178,490		-0-		178,824		-0-		9,065,521
Estimated third-party payor settlements		422,690		-0-		-0-		-0-		-0-		422,690
Other receivables		70,590		(7,284)		210		-0-		-0-		63,516
Inventory		1,322,328		1,373		2,351		6,498		-0-		1,332,550
Prepaid expenses		848,995		4,455		5,827		6,521		-0-		865,798
Notes receivable - current		<u>369,421</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>369,421</u>
Total Current Assets		<u>16,973,961</u>		<u>641,402</u>		<u>25,990</u>		<u>430,252</u>		<u>-0-</u>		<u>18,071,605</u>
Other												
Limited use assets		13,622,750		-0-		-0-		-0-		-0-		13,622,750
Land		1,073,049		-0-		45,899		-0-		-0-		1,118,948
Depreciable capital assets, net		35,075,633		1,057		1,889,367		241,762		-0-		37,207,819
Bond issue cost, net		67,475		-0-		-0-		-0-		-0-		67,475
Capitalized construction interest		1,962,218		-0-		-0-		-0-		-0-		1,962,218
Notes receivable		416,282		-0-		-0-		-0-		-0-		416,282
Other		<u>2,853,600</u>		<u>233,200</u>		<u>-0-</u>		<u>182,996</u>		<u>(2,791,860)</u>		<u>477,936</u>
Total Assets	\$	<u>72,044,968</u>	\$	<u>875,659</u>	\$	<u>1,961,256</u>	\$	<u>855,010</u>	\$	<u>(2,791,860)</u>	\$	<u>72,945,033</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENTS OF NET POSITION (Continued)  
JUNE 30, 2012

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
<u>LIABILITIES AND NET POSITION</u>						
Current						
Accounts payable	\$ 1,937,579	\$ 3,929	\$ 27,822	\$ 13,977	\$ -0-	\$ 1,983,307
Accrued expenses	1,080,861	-0-	5,090	3,096	-0-	1,089,047
Unearned revenue	17,114	-0-	-0-	-0-	-0-	17,114
Estimated third-party payor settlements	367,535	-0-	-0-	-0-	-0-	367,535
Current portion of long-term debt	940,000	-0-	-0-	-0-	-0-	940,000
Total Current Liabilities	<u>4,343,089</u>	<u>3,929</u>	<u>32,912</u>	<u>17,073</u>	<u>-0-</u>	<u>4,397,003</u>
Long-term Liabilities						
Long-term debt	11,810,000	-0-	-0-	-0-	-0-	11,810,000
Total Liabilities	<u>16,153,089</u>	<u>3,929</u>	<u>32,912</u>	<u>17,073</u>	<u>-0-</u>	<u>16,207,003</u>
Net Position						
Invested in capital assets, net of related debt	23,398,682	-0-	-0-	-0-	2,178,085	25,576,767
Restricted	908,108	-0-	-0-	-0-	-0-	908,108
Unrestricted	31,585,089	-0-	-0-	-0-	(2,178,085)	29,407,004
Total Controlling Net Position	55,891,879	-0-	-0-	-0-	-0-	55,891,879
Noncontrolling interest in subsidiary	-0-	-0-	-0-	-0-	846,151	846,151
Total Net Position	<u>55,891,879</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>846,151</u>	<u>56,738,030</u>
Members' Equity	<u>-0-</u>	<u>871,730</u>	<u>1,928,344</u>	<u>837,937</u>	<u>(3,638,011)</u>	<u>-0-</u>
Total Liabilities and Net Position	\$ <u>72,044,968</u>	\$ <u>875,659</u>	\$ <u>1,961,256</u>	\$ <u>855,010</u>	\$ <u>(2,791,860)</u>	\$ <u>72,945,033</u>

**NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2012**

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
<b>Revenues</b>						
Net patient service revenue	\$ 39,975,158	\$ 995,902	\$ -0-	\$ 361,933	\$ -0-	\$ 41,332,993
Other revenue	5,875,235	13,827	490,236	440,878	(696,621)	6,123,555
Total Revenues	<u>45,850,393</u>	<u>1,009,729</u>	<u>490,236</u>	<u>802,811</u>	<u>(696,621)</u>	<u>47,456,548</u>
<b>Expenses</b>						
Salaries and benefits	19,584,806	121,927	200,865	374,670	-0-	20,282,268
Medical supplies and drugs	3,768,475	30,213	-0-	89,036	-0-	3,887,724
Medical, professional and consulting	3,547,630	239,635	-0-	-0-	-0-	3,787,265
Other expenses	11,716,899	202,521	150,899	195,165	(494,236)	11,771,248
Retirement	96,605	2,247	-0-	-0-	-0-	98,852
Insurance	934,234	16,134	22,890	7,524	-0-	980,782
Leases	6,600	-0-	-0-	-0-	-0-	6,600
Depreciation and amortization	3,313,303	8,292	124,311	110,076	-0-	3,555,982
Total Expenses	<u>42,968,552</u>	<u>620,969</u>	<u>498,965</u>	<u>776,471</u>	<u>(494,236)</u>	<u>44,370,721</u>
Operating Income (Loss)	<u>2,881,841</u>	<u>388,760</u>	<u>(8,729)</u>	<u>26,340</u>	<u>(202,385)</u>	<u>3,085,827</u>
<b>Nonoperating Revenues (Expenses)</b>						
Noncapital grants	31,058	-0-	-0-	-0-	-0-	31,058
Interest income	3,240	20	27	2	-0-	3,289
Interest income from limited use assets	131,823	-0-	-0-	-0-	-0-	131,823
Interest expense	(549,913)	-0-	-0-	-0-	-0-	(549,913)
Total Nonoperating Rev (Exp)	<u>(383,792)</u>	<u>20</u>	<u>27</u>	<u>2</u>	<u>-0-</u>	<u>(383,743)</u>
<b>Excess of Revenue over Expenses</b>	<b>\$ 2,498,049</b>	<b>\$ 388,780</b>	<b>\$ (8,702)</b>	<b>\$ 26,342</b>	<b>\$ (202,385)</b>	<b>\$ 2,702,084</b>



NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)  
YEAR ENDED JUNE 30, 2012

	Natchitoches <u>Regional</u> <u>Medical</u> <u>Center</u>	Natchitoches <u>Outpatient</u> <u>Services, LLC</u>	Natchitoches <u>Assisted</u> <u>Living, LLC</u>	Regional <u>Cardiology</u> <u>Clinic, LLC</u>	Eliminating <u>Entries</u>	<u>Consolidated</u>
Less: Consolidated net income attributable to noncontrolling interest	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (204,035)	\$ (204,035)
Other comprehensive income						
Unrealized holding gains (losses)	71,183	-0-	-0-	-0-	-0-	71,183
Comprehensive income (loss)	2,569,232	388,780	(8,702)	26,342	(406,420)	2,569,232
Beginning net position	53,322,647	572,950	2,122,046	891,595	(3,586,591)	53,322,647
Capital contribution	-0-	-0-	-0-	-0-	-0-	-0-
Distribution paid	-0-	(90,000)	(185,000)	(80,000)	355,000	-0-
Ending net position	\$ 55,891,879	\$ 871,730	\$ 1,928,344	\$ 837,937	\$ (3,638,011)	\$ 55,891,879

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Daily patient services:			
Routine services	\$ 3,169,907	\$ 2,607,693	\$ 2,625,854
Intensive care	1,376,380	1,144,360	1,061,280
Nursery	250,960	255,367	222,515
Long-term care	5,967,692	5,651,943	5,603,558
Swing bed	-0-	2,730	4,030
Geriatric psych	3,186,820	2,990,090	3,486,613
Total daily patient services	<u>13,951,759</u>	<u>12,652,183</u>	<u>13,003,850</u>
Other professional services:			
Operating and recovery room			
Inpatient	6,876,445	5,433,340	5,496,577
Outpatient	<u>7,455,297</u>	<u>6,842,163</u>	<u>7,155,976</u>
Total	<u>14,331,742</u>	<u>12,275,503</u>	<u>12,652,553</u>
Labor and delivery			
Inpatient	801,681	884,874	751,111
Outpatient	<u>96,661</u>	<u>134,977</u>	<u>86,517</u>
Total	<u>898,342</u>	<u>1,019,851</u>	<u>837,628</u>
Anesthesia			
Inpatient	239,558	222,477	223,728
Outpatient	<u>353,266</u>	<u>454,363</u>	<u>466,911</u>
Total	<u>592,824</u>	<u>676,840</u>	<u>690,639</u>
Radiology, ultrasound, MRI & CT scan			
Inpatient	3,015,501	2,817,274	2,920,023
Outpatient	<u>14,410,442</u>	<u>12,916,319</u>	<u>13,646,848</u>
Total	<u>17,425,943</u>	<u>15,733,593</u>	<u>16,566,871</u>
Laboratory			
Inpatient	4,776,586	4,374,647	4,451,170
Outpatient	<u>7,709,230</u>	<u>6,985,587</u>	<u>6,720,813</u>
Total	<u>\$ 12,485,816</u>	<u>\$ 11,360,234</u>	<u>\$ 11,171,983</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Blood			
Inpatient	\$ 670,302	\$ 631,205	\$ 752,732
Outpatient	<u>365,791</u>	<u>365,820</u>	<u>343,884</u>
Total	<u>1,036,093</u>	<u>997,025</u>	<u>1,096,616</u>
Inhalation therapy			
Inpatient	2,964,005	3,211,443	3,219,115
Outpatient	<u>1,059,836</u>	<u>952,111</u>	<u>903,275</u>
Total	<u>4,023,841</u>	<u>4,163,554</u>	<u>4,122,390</u>
Physical therapy			
Inpatient	637,291	698,517	694,082
Outpatient	<u>104,998</u>	<u>183,029</u>	<u>1,111,189</u>
Total	<u>742,289</u>	<u>881,546</u>	<u>1,805,271</u>
Occupational therapy			
Inpatient	412,902	474,162	526,991
Outpatient	<u>44,226</u>	<u>73,099</u>	<u>198,250</u>
Total	<u>457,128</u>	<u>547,261</u>	<u>725,241</u>
Speech therapy			
Inpatient	51,668	62,901	30,728
Outpatient	<u>127,851</u>	<u>126,056</u>	<u>144,738</u>
Total	<u>179,519</u>	<u>188,957</u>	<u>175,466</u>
Electrocardiology			
Inpatient	549,842	516,743	555,084
Outpatient	<u>1,259,356</u>	<u>1,206,302</u>	<u>1,199,620</u>
Total	<u>1,809,198</u>	<u>1,723,045</u>	<u>1,754,704</u>
Central services			
Inpatient	1,205,029	1,177,674	1,157,812
Outpatient	<u>287,186</u>	<u>167,624</u>	<u>146,895</u>
Total	<u>\$ 1,492,215</u>	<u>\$ 1,345,298</u>	<u>\$ 1,304,707</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Pharmacy			
Inpatient	\$ 7,427,327	\$ 7,389,283	\$ 6,407,230
Outpatient	<u>2,591,127</u>	<u>2,637,705</u>	<u>2,034,185</u>
Total	<u>10,018,454</u>	<u>10,026,988</u>	<u>8,441,415</u>
Emergency room			
Inpatient	1,917,695	1,235,887	1,219,368
Outpatient	<u>15,949,853</u>	<u>9,687,368</u>	<u>9,594,735</u>
Total	<u>17,867,548</u>	<u>10,923,255</u>	<u>10,814,103</u>
Observation			
Outpatient	<u>2,713,965</u>	<u>1,907,143</u>	<u>1,566,289</u>
Ambulance			
Outpatient	<u>3,371,526</u>	<u>3,366,712</u>	<u>3,286,421</u>
Physician clinic			
Outpatient	<u>3,064,011</u>	<u>2,421,392</u>	<u>2,248,075</u>
Campti clinic			
Outpatient	<u>312,304</u>	<u>314,650</u>	<u>273,765</u>
Intensive outpatient psychiatric services			
Outpatient	<u>2,125,204</u>	<u>1,073,568</u>	<u>1,261,079</u>
Hospitalist program			
Inpatient	378,060	-0-	-0-
Outpatient	<u>40,245</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>418,305</u>	<u>-0-</u>	<u>-0-</u>
Women's health clinic			
Outpatient	<u>97,588</u>	<u>-0-</u>	<u>-0-</u>
Walk in clinic			
Outpatient	\$ <u>92,403</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Pediatric clinic			
Outpatient	\$ <u>470,356</u>	\$ <u>114,509</u>	\$ <u>-0-</u>
 Total other professional services	 <u>96,026,614</u>	 <u>81,060,924</u>	 <u>80,795,216</u>
 Total patient service charges	 <u>109,978,373</u>	 <u>93,713,107</u>	 <u>93,799,066</u>
 Contractual adjustments - Medicare and Medicaid	 43,231,106	 35,729,328	 35,033,259
Contractual adjustments - other	16,619,920	12,471,054	12,812,890
Provision for bad debts	8,783,790	6,958,445	6,146,742
Free care	148,652	147,373	355,232
Other deductions	196,822	207,467	281,568
Professional fee revenue	(405,448)	(301,668)	(773,260)
Uncompensated care reimbursement	<u>-0-</u>	<u>-0-</u>	<u>(1,390,358)</u>
 Total allowances	 <u>68,574,842</u>	 <u>55,211,999</u>	 <u>52,466,073</u>
 Net patient service revenue	 \$ <u><u>41,403,531</u></u>	 \$ <u><u>38,501,108</u></u>	 \$ <u><u>41,332,993</u></u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF OTHER REVENUE  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Other revenue:			
Rental income	\$ 992,371	\$ 983,784	\$ 1,029,321
Assisted living housing & care income	392,360	458,163	490,236
Medical records	2,149	4,744	3,919
Dietary sales	237,387	232,445	230,618
Vending revenue	30,480	33,152	34,215
Ambulance tax	1,655,746	1,603,705	1,268,693
Grants	3,500,116	2,992,502	1,676,879
Gain on sale of equipment	2,000	7,000	27,667
340B pharmaceutical program	783,511	1,359,811	1,160,920
Other	<u>99,772</u>	<u>121,639</u>	<u>201,087</u>
 Total other operating revenue	 \$ <u>7,695,892</u>	 \$ <u>7,796,945</u>	 \$ <u>6,123,555</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF EXPENSES – SALARIES AND BENEFITS  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Salaries:			
Human resources	\$ 158,699	\$ 165,962	\$ 162,143
Administration	706,310	552,352	420,100
Information systems	372,751	488,643	214,701
Accounting	196,250	205,444	138,076
Admitting	405,343	361,284	324,247
Business office	334,921	347,696	324,622
Housekeeping	381,379	370,238	382,683
Dietary and cafeteria	416,263	335,050	328,134
Laundry	36,942	44,887	37,570
Plant operations and maintenance	329,371	291,920	276,666
Security	92,138	92,203	-0-
Nursing administration	846,919	863,270	872,918
Medical records	259,853	278,936	258,396
Nursing services	1,800,027	2,042,192	1,868,577
ICU	852,558	785,977	784,772
Geriatric psych	781,637	564,581	610,249
Nursery	251,882	242,922	239,016
Long-term care	2,626,122	2,688,168	2,638,328
Operating room	968,189	904,477	882,765
Labor and delivery	495,040	465,331	434,445
Anesthesiology	3,382	2,113	1,826
Radiology	838,461	833,848	833,080
Laboratory	792,688	621,242	629,104
Respiratory therapy	484,441	502,326	486,530
Physical therapy	328,330	260,969	343,156
Occupational therapy	181,680	166,920	135,112
Speech therapy	79,430	79,747	63,708
Purchasing	147,280	196,821	175,298
Pharmacy	348,193	314,866	301,024
Intensive outpatient psychiatric services	307,331	156,950	120,771
Emergency room	2,030,632	1,890,304	1,703,671
Ambulance	1,157,186	1,099,745	1,056,443
Physician clinic	366,686	342,917	353,972
Campti clinic	227,515	203,542	191,494
Assisted living	188,804	190,643	185,012
Hospitalist program	487,595	-0-	-0-
Women's health clinic	171,021	-0-	-0-
Walk in clinic	58,781	-0-	-0-
Pediatric clinic	238,603	123,532	-0-
Sports medicine	60,650	58,600	57,510
	<u>60,650</u>	<u>58,600</u>	<u>57,510</u>
Total salaries	\$ 20,811,283	\$ 19,136,618	\$ 17,836,119

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF EXPENSES – SALARIES AND BENEFITS (Continued)  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Benefits:			
FICA and Medicare tax	\$ 1,502,375	\$ 1,426,627	\$ 1,302,406
Hospital insurance	957,146	786,477	1,101,636
Other	<u>18,032</u>	<u>9,514</u>	<u>42,107</u>
 Total benefits (excluding retirement)	 <u>2,477,553</u>	 <u>2,222,618</u>	 <u>2,446,149</u>
 Total salaries and benefits	 \$ <u>23,288,836</u>	 \$ <u>21,359,236</u>	 \$ <u>20,282,268</u>



NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF EXPENSES – MEDICAL SUPPLIES AND DRUGS  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Nursing service	\$ 124,510	\$ 126,046	\$ 64,820
ICU	31,332	28,451	27,771
Geriatric psych	5,964	4,240	4,712
Nursery	15,353	16,100	13,477
Long-term care	205,806	173,999	173,772
Operating room	1,861,376	1,510,794	1,694,605
Labor and delivery	116,882	122,885	112,941
Anesthesiology	53,404	39,130	36,444
Radiology, nuclear medicine, CT scan	200,055	176,322	172,389
Laboratory and blood	563,038	849,242	976,934
Respiratory therapy	144,399	136,796	130,837
Physical therapy	1,053	53	14,296
EKG	-0-	529	-0-
Central supply	226,903	158,529	173,387
Pharmacy	33,256	29,720	28,504
Emergency room	141,875	123,663	131,234
Ambulance	25,049	25,486	34,429
Physician clinic	119,131	81,063	89,036
Campti clinic	9,054	8,990	7,518
Pediatric clinic	5,613	4,120	-0-
Women's health clinic	3,558	-0-	-0-
Walk in clinic	3,536	-0-	-0-
Intensive outpatient psychiatric services	<u>1,080</u>	<u>447</u>	<u>618</u>
 Total medical supplies and drugs	 \$ <u>3,892,227</u>	 \$ <u>3,616,605</u>	 \$ <u>3,887,724</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF EXPENSES – MEDICAL, PROFESSIONAL AND  
CONSULTING SERVICES  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Routine nursing	\$ 58,994	\$ 272,854	\$ 180,414
ICU	39,881	81,021	51,332
Geriatric psych	306,735	479,471	487,014
Nursery	-0-	420	739
LTCU	74,302	72,913	63,210
Labor and delivery	20,646	25,526	24,276
Radiology, ultrasound, CT scan	225,855	222,703	212,725
Laboratory	204,460	227,018	172,199
Respiratory therapy	10,026	15,874	6,945
Physical therapy	516	4,500	140,121
Occupational therapy	-0-	-0-	39,480
Pharmacy	1,798,412	1,654,898	1,584,498
Emergency room	1,282,220	442,281	368,148
Other	4,249	2,061	429
Sleep study	322,900	295,950	296,900
Intensive outpatient psychiatric services	156,115	123,600	123,600
Hospitalist program	6,667	-0-	-0-
Women's health clinic	640	-0-	-0-
Walk in clinic	500	-0-	-0-
School-based clinic	-0-	-0-	35,235
	<hr/>	<hr/>	<hr/>
Total medical, professional and consulting	\$ <u>4,513,118</u>	\$ <u>3,921,090</u>	\$ <u>3,787,265</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULES OF EXPENSES – OTHER  
YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Service fees	\$ 2,996,391	\$ 2,396,615	\$ 2,777,118
Legal and accounting	190,002	279,961	225,721
Non-medical supplies	2,349,355	2,370,571	2,532,085
Repairs and maintenance	833,071	841,639	1,317,053
Utilities	2,019,611	1,783,446	1,898,640
Telephone	73,926	84,943	92,182
Travel and fuel - ambulance	90,966	92,121	96,683
Travel and fuel - other	87,418	48,113	82,796
Rental expense	292,253	119,652	174,286
Education expense	68,818	26,185	27,929
Licenses, dues and subscriptions	896,340	770,365	660,244
Patient days tax	379,993	317,087	304,006
Advertising	148,021	153,725	118,890
Recruitment	542,087	489,633	499,304
Inter-governmental transfer expense	134,237	481,111	912,674
Other	<u>50,297</u>	<u>21,138</u>	<u>51,637</u>
 Total other expenses	 \$ <u>11,152,786</u>	 \$ <u>10,276,305</u>	 \$ <u>11,771,248</u>

## NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

### HISTORY

The Natchitoches Parish Hospital was built by the people of the Parish of Natchitoches, Louisiana, in cooperation with the United States Government, and is operated by the Natchitoches Parish Hospital Service District as created by the Police Jury of Natchitoches Parish, Louisiana.

In consideration of an agreement between the Police Jury of Natchitoches Parish, Louisiana, and the Natchitoches Parish Hospital Service District whereby the Police Jury agreed to construct, complete and equip a hospital in Natchitoches Parish, the Hospital Service District agrees to do and perform the following:

1. To operate the District for the duration of this twenty-year agreement as a non-profit institution in accordance with an agreement entered into by and between the Parish and the United States.
2. To maintain and operate the District and assume and pay the expenses of operations and maintenance to the extent of the income and revenues derived therefrom.
3. To have full and complete charge of the management and operation of the District and conduct and operate said District at all times in accordance with acceptable standards of hospital practice.

The Parish covenants to do and perform, as consideration for this agreement, the following:

1. To equip the hospital building for hospital purposes with modern equipment sufficient to meet the needs of present day hospital practice. If, however, the District desires to replace said equipment with new equipment, it may do so, and said new equipment shall be and remains the property of the Parish if paid for out of the income resulting from the operation of the District. It is understood and agreed, however, that the Parish shall not be responsible for the securing of additional equipment other than that already purchased or installed when the District takes possession of the premises.
2. To levy the special tax of one mill on the dollar of all property subject to state taxation in the Parish for a period of three years beginning with the year 1956, as authorized by the special election held in the Parish on November 15, 1955, and the Parish shall pay to the District the net proceeds of said tax, as when collected. Said net proceeds shall be used by the District solely to defray the costs of operating and maintaining the District described herein, and proceeds at such intervals as the Parish may require.

During the year ended September 30, 1965, the Natchitoches Parish Hospital was enlarged by the addition of a nursing home, an autopsy room, new patient rooms and additional administrative and storage space. The new construction was financed by: (1) a grant from the United States Government under the Hill-Burton Act in the amount of \$307,000; (2) proceeds of a \$400,000 bond issue; and, (3) revenues of the Natchitoches Parish Hospital. The \$400,000 of Natchitoches Parish, Louisiana, Hospital Improvement Revenue Bonds, 3 1/2%, Series 1963, were purchased by the United States of America, Housing and Home Finance Agency. These bonds were retired in 1979.

## NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

### HISTORY (Continued)

On June 14, 1977, a seven million dollar (\$7,000,000) bond issue was passed by the people of Natchitoches Parish. The seven million dollars (\$7,000,000) consisted of four million five hundred thousand dollars (\$4,500,000) of Public Improvement Bonds to be paid by ad valorem taxes. Two million five hundred thousand dollars (\$2,500,000) were to be Revenue Bonds and were to be paid off out of the general operating revenue of the District. Pursuant to a public hearing held on March 6, 1979, the District was authorized to issue \$4,500,000 of Hospital Revenue Bonds in lieu of the \$2,500,000 of Hospital Revenue Bonds.

On May 22, 1978, the Public Improvement Bonds were sold. The Public Improvement Hospital Bonds are dated April 1, 1978, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding six and one-half percent (6 1/2%) per annum on any bond in any interest payment period. Said interest to be payable April 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year. Bonds numbered 204 to 900, inclusive, are callable for redemption by the District in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity, on any interest payment date on or after April 1, 1988, at the principal amount thereof and accrued interest to the date fixed for redemption, provided that official notice be given of such call of any of the bonds for redemption date by means of publication of an appropriate notice one time in a financial newspaper or journal published in the City of New York, or in the City of New Orleans, Louisiana, and sent by registered mail to the place of payment of the bonds. Bonds of this issue numbered 1 to 203, inclusive, are not callable for redemption prior to their stated dates of maturity. The bonds are secured by a special tax to be imposed and collected annually in excess of all other taxes on all the property subject to taxation within the territorial limits of the District. On October 1, 1985, funds were deposited in an irrevocable trust and zero coupon United States of America Trust securities were purchased. The securities began maturing in February 1995, and will be used to pay payments on the bonds until payment in full. No collections of taxes were required after that time.

In May 1979, the Hospital Revenue Bonds were sold. These bonds are dated April 1, 1979, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding seven and seven-eighths percent (7 7/8%) per annum on any bond in any interest period. Said interest to be payable October 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year.

The Series 1979 Revenue Bonds are also subject to redemption in whole, at any time, or in part, at any interest payment date, at the option of the District upon the occurrence of any of the following conditions or events: (1) if title to, or the permanent use of, or use for a limited period of, substantially all of the District is condemned; or (2) if the title to substantially all of the District is found to be deficient to the extent that the Hospital is untenable or the efficient utilization of the District by the District is substantially impaired; or (3) if substantially all of the District is damaged or destroyed by fire or other casualty; or (4) if as a result of any changes in the Constitution of the United States of America or of the State of Louisiana or of legislative or administrative action, or failure of administrative action, by the United States or the State of Louisiana, or any agency or political subdivision thereof, or by reason of any judicial decision, (i) the Resolution becomes void or unenforceable or impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities are imposed on the District, including without limitation Federal, state or other ad valorem property, income or other taxes being imposed on the property of the District. In the event of such redemption, the Bonds shall be subject to redemption at the principal amount thereof plus accrued interest to the date of redemption, but without premium.

The Series 1979 Bonds are issued pursuant to a Resolution, under which payment of the principal of, redemption premium, if any, and interest on the Series 1979 Bonds is secured by a pledge of the income, revenues, receipts and accounts receivable derived by, payable or accruing to the District by reason of its operation of the District, subject to payment of the operating expenses of the District.

## NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

### HISTORY (Continued)

The Series 1979 Bonds are limited obligations of the District which are payable solely from revenues derived by the District from its operation of the Hospital. The Series 1979 Bonds are not an indebtedness or pledge of the general credit of the State of Louisiana, the Parish or City of Natchitoches or the District. Neither the District nor any of the assets of the District are pledged or mortgaged as security for the Series 1979 Revenue Bonds.

On February 26, 1980, the Louisiana State Bond Commission approved a notice of intention to issue not exceeding \$750,000 of Hospital Revenue Bonds to bear interest at rates not exceeding 9 1/4% per annum, the proceeds of which will be used for the purpose of constructing improvements to the existing facilities or to provide additional facilities, said bonds are to be secured by and payable solely from the District from operations, to mature at such time not exceeding 30 years from date of issuance, and subject further to the approval of the Natchitoches Parish Police Jury. In lieu of issuing these bonds the District made an application for the approval to the State Bond Commission to issue \$500,000 of Certificates of Indebtedness at an interest rate not to exceed eleven and one-half percent per annum. This application was approved on September 1, 1981. The \$500,000 in Certificates of Indebtedness were issued on April 6, 1982. Certificates totaling \$150,000 were issued to each of three banks in Natchitoches. These Certificates of Indebtedness were paid in full on September 28, 1984.

On November 20, 1985, the District's Commissioners resolved to donate a portion of land to the Natchitoches Parish Police Jury so they could construct a parish health clinic. The act of donation was made by resolution of the Board of Commissioners on October 23, 1987. The District's basis in the donated land was \$8,200.

An ambulance service tax is collected by the Natchitoches Parish Police Jury. The tax money is forwarded to the District upon submitting ambulance cost for the year. A ten-year renewal was passed in 1986. The voters of Natchitoches Parish voted not to renew this tax in July 1996.

Effective January 30, 1987, the Long-Term Care Unit qualified as a Medicare participating skilled nursing facility. As of September 25, 1987, a home health program was begun.

On December 1, 1988, the District began renting office space for four physicians in a newly constructed physician office building.

During the year ended June 30, 1990, the District purchased approximately ten acres of land on Keyser Avenue. The State of Louisiana expropriated one quarter acre for road right-of-way.

During the year ended June 30, 1991, the District began an \$845,000 renovation of the fourth and fifth floors of the Hospital which include two additional elevators and a rehabilitation fitness center. The Hospital began redecorating and refurnishing 84 patient rooms. These renovations were completed in fiscal year 1992.

During the year ended June 30, 1992, the District began replacing the chillers and completed replacement of the chillers in fiscal year 1993. The Hospital began and nearly completed a building to be rented as a dialysis center.

During the year ended June 30, 1994, the District completed construction of the dialysis center and began construction of rental facilities for a mental health unit and an obstetrics/gynecology doctors' office. The District also refinanced \$3,600,000 of Revenue bonds. As with the 1979 series, the \$3,560,000 of Series 1994 Bonds, dated May 19, 1994, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital. The interest rates vary from 3.95% to 5.5%.

## NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

### HISTORY (Continued)

The District completed construction of the mental health unit, the obstetrics/gynecology doctors' office, senior care center and remodeling of the labor and delivery rooms during the fiscal year ended June 30, 1995. A cooperative endeavor with Northwest Psychiatry, Inc. resulted in the establishment of an adolescent psychiatric program in Natchitoches Parish. Additionally, the Hospital began its own geriatric psychiatric program on the hospital campus just prior to year end.

Effective July 1, 1995, the Hospital's geriatric psychiatric unit received "Distinct Part" status which provides for reasonable cost reimbursement of necessary services to Medicare patients. In February 1996 the cooperative endeavor with Northwest Psychiatry, Inc. ended as Medicaid, the primary payor source for the adolescent facility, tightened its admission and length of stay criteria. The result was an inadequate census and the unit was closed.

The District began leasing twenty-one beds and selling ancillary services to Satellite Rehab, Inc., a separately licensed hospital and unrelated party, on December 1, 1997. Satellite Rehab, Inc. offers inpatient rehabilitative services.

Also, on December 1, 1997, the District entered into a management agreement with Christus Health (the "Manager"). The Manager is responsible for providing an administrator for routine administrative services, making recommendations for the overall rate structure, preparing monthly reports to the Board, managing cash and investments, preparing annual budgets and reviewing the insurance program. The Board of Commissioners retained all authority and control over the District.

During the year ended June 30, 2000, the District financed \$10,000,000 of 6% Series 2000 Revenue Bonds. The \$10,000,000 of Series 2000 bonds, dated June 14, 2000, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital and must be used for expansion of hospital facilities.

The District received escrow funds in the amount of \$5,000,000 from Christus Health on March 3, 2000, as a part of an agreement with the District to be used for expansion of outpatient facilities. As certain conditions were met, the \$5,000,000 was earned during 1999, 2000, 2001 and 2002.

The District ceased operations of the home health and partial day psychiatric services in June 2000.

During the year ended June 30, 2002, the Hospital renovated the second and third floor of the tower as part of the beginning of a three-phase construction project, which will include a new outpatient service center. This project is being financed by the issuance of the Series 2000 Revenue Bonds of \$10,000,000 and from the \$5,000,000 contribution received by Christus Health.

The Hospital continued its three-phase construction project during 2004 with the completion of the renovation of the second and third floors and expected completion of the new outpatient service center by September of 2005. The final phase of the project, renovation of the first floor, will start after the completion of the outpatient service center.

The Hospital entered into a joint venture with local physicians and created Natchitoches Outpatient Services, LLC. NOP, LLC offers outpatient therapy services and MRI services. NOP, LLC began operations in June of 2005.

## NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

### HISTORY (Continued)

The Hospital has changed its d/b/a name to Natchitoches Regional Medical Center to reflect its regional healthcare status.

The Hospital purchased a minority interest in Northwestern Louisiana Cancer Center, LLC, which provides outpatient cancer treatment, in March 2006.

Christus Health conveyed a medical office building to the Hospital in July 2006. The conveyance contains an act of re-conveyance which is subject to the term of the management agreement with Christus Health. At the end of the agreement, the Hospital will recognize the building as an asset and the income based at fair market value.

In September of 2006, the Hospital opened the new outpatient center and started renovation of the first and fourth floor. The fourth floor will be leased to a rehab hospital.

The Hospital completed the renovation of the first and fourth floors in January 2007. The fourth floor is leased to a physical rehabilitation hospital.

The Hospital created a new entity called Natchitoches Assisted Living, LLC. NAL, LLC purchased an assisted living facility for \$1,200,000 on July 12, 2007, through a cash investment by the Hospital. NAL, LLC offers housing and limited care for elderly residents.

During the year ended June 30, 2009, the District financed \$8,000,000 of 4.26% Series 2008 Revenue Bonds. The \$8,000,000 of Series 2008 bonds, dated August 26, 2008, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital and must be used for expansion of hospital facilities.

Construction of the new nursing home facility began in September of 2008. The facility was completed in November 2009 and the patients were transferred. During FY 2012, the old nursing home was demolished.

The Hospital created a new entity called Regional Cardiology Clinic, LLC on March 2, 2009. RCC, LLC provides cardiology diagnostics and testing services.

The Natchitoches Hospital Foundation merged on November 3, 2010, with the Natchitoches Regional Medical Center Foundation.

The Hospital acquired a medical office building valued at \$4,550,000 by act of donation from Christus Health on December 31, 2010.

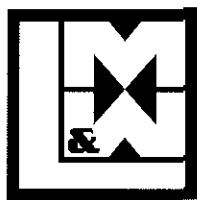


NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
SCHEDULE OF PER DIEM  
OR OTHER AMOUNTS PAID TO OR ON BEHALF OF COMMISSIONERS  
YEAR ENDED JUNE 30, 2014

<u>Board Member</u>	<u>Paid on Behalf of Commissioners</u>
Roger Williams	\$ 480
Ronald Corkern	240
Dr. Chris Ingram	240
Samuel Jackson	200
John Luster	440
Arthur Welch	240
Aaron Johnson	<u>240</u>
	\$ <u>2,080</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES  
CONSOLIDATED SCHEDULE OF BONDS PAYABLE  
YEARS ENDED JUNE 30, 2014, 2013 AND 2012

NATCHITOCHES PARISH HOSPITAL	RATES	PAYMENT DATES	ISSUE DATES	FINAL MATURITY DATE	ANNUAL SERIAL PAYMENTS	BONDS			
						AUTHORIZED	ISSUED	RETIRED	OUTSTANDING
Revenue bonds - 2000	4.350%	4/1; 10/1	6/14/2000	10/1/2020	580,000 (2015)	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$ 5,155,000</u>	<u>\$ 4,845,000</u>
					615,000 (2016)				
					650,000 (2017)				
					685,000 (2018)				
					730,000 (2019)				
					770,000 (2020)				
					815,000 (2021)				
Revenue bonds - 2008	4.260%	4/1; 10/1	8/26/2008	10/1/2023	475,000 (2015)	<u>\$10,000,000</u>	<u>\$8,000,000</u>	<u>\$ 2,030,000</u>	<u>\$ 5,970,000</u>
					500,000 (2016)				
					525,000 (2017)				
					550,000 (2018)				
					575,000 (2019)				
					605,000 (2020)				
					635,000 (2021)				
					670,000 (2022)				
					700,000 (2023)				
					735,000 (2024)				



## **LESTER, MILLER & WELLS**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Natchitoches Parish Hospital Service District  
Natchitoches, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of the business-type activities of the Natchitoches Parish Hospital Service District and its Affiliates (the "District" or the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, as of and for the years ended June 30, 2014, 2013, and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies: 2014-01 and 2014-02.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **The District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lester, Miller & Wells*

Certified Public Accountants  
Alexandria, Louisiana

November 12, 2014



Natchitoches Parish Hospital Service District  
Schedule of Findings  
Year Ended June 30, 2014

**Section I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified - No
- Significant deficiencies identified - Yes

Compliance

- Noncompliance issue noted - No

Management letter issued - No

*Federal Awards* - Not applicable

**Section II. Financial Statement Findings**

**FINDING 2014-01 – Draft of Financial Statements**

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006 SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

**Recommendation:** Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

**Response:** The Hospital's accounting personnel will continue to attend education courses in order to further their knowledge of GAAP. Further, due to the size of our organization and the cost of implementation, we will continue to rely on our independent auditors to assist us in preparation of our external financial statements.

**FINDING 2014-02 – Segregation of Duties**

**Finding:** Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.



Natchitoches Parish Hospital Service District  
Schedule of Findings  
Year Ended June 30, 2014

**Section II. Financial Statement Findings (Continued)**

**FINDING 2014-02 – Segregation of Duties (Continued)**

**Recommendation:** We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Response:** Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

**Section III. Federal Awards Findings and Questioned Costs**

Not applicable

**Section IV. Management Letter**

Not applicable



Natchitoches Parish Hospital Service District  
Schedule of Prior Year Findings  
Year Ended June 30, 2014

**Section I. Financial Statement Findings**

**2013-01 – Draft of Financial Statements**

**Fiscal Year Initially Reported:** June 30, 2011

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006 SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

**Recommendation:** Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

**Response:** The Hospital's accounting personnel will continue to attend education courses in order to further their knowledge of GAAP. Further, due to the size of our organization and the cost of implementation, we will continue to rely on our independent auditors to assist us in preparation of our external financial statements.

**Resolution:** This matter has not been resolved. See Finding 2014-01.

**2013-02 – Segregation of Duties**

**Fiscal Year Initially Reported:** June 30, 2011

**Finding:** Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

**Recommendation:** We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Response:** Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

**Resolution:** This matter has not been resolved. See Finding 2014-02.



Natchitoches Parish Hospital Service District  
Schedule of Prior Year Findings  
Year Ended June 30, 2014

**Section II. Federal Award Findings and Questioned Costs**

Not applicable

**Section III. Management Letter**

Not applicable

